



# Consolidated Results 1H 2021

August 2<sup>nd</sup>, 2021  
Unaudited financial information

# Disclaimer

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## **Notes:**

- 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, 1H20 is presented pro-forma.*
- With the completion of the restructuring process in 2020, the 1H21 results are disclosed only at consolidated level.*
- This document includes unaudited financial information.*

# Agenda

1. **Highlights**
2. Customer & Business Performance
3. Financial Results
4. Balance Sheet
5. Funding & Capital Management
6. Appendix

# The completion of the restructuring process in 2020 is already delivering positive performance and accretive-capital build...

**NOVO BANCO announces second consecutive profitable quarter with Net Profit of €138mn in the 1H21** (vs -€555mn in 1H20; 1Q21: €71mn; 2Q21: €67mn) with the conclusion of the restructuring process in 2020, leading to a significant profitability turnaround and Capital-accretive performance<sup>1</sup>. **RoTE achieved a significant improvement to 8.7% in 1H21.**

**Net customer loans at €23.5bn, broadly stable YTD** (adj. for NPL disposal), and **deposits increasing by 3.0%**, reflecting the continued clients' confidence in NOVO BANCO while greater commercial and customer activity resulted in both an increase of **NII (+13% YoY)**, **higher fee income (+3% YoY)** and **growth in digital active customer +5.5% YoY**. **Efficiency ratio further improved to 48%** (vs 55% 1H20).

Continuous improvement in asset quality with **NPL ratio at 7.3%** (Dec-20: 8.9%; Dec-17: 28%), reflecting the continued de-risking of the balance sheet. **Coverage ratio<sup>2</sup> (Stage 3) at 55.9%** (Dec-20: 56.5%). **CoR of 68bps (vs 219bps in 1H20)**, **above run-rate given exceptional charges** (incl. €35mn Covid related provisions; 40bps when adjusted).

In Jul-21, **NB issued €300mn 3NC2 Inaugural SPN** at 3.5% and **tendered ~€161mn<sup>3</sup>** of its legacy senior unsecured bonds, **which will further help future financial performance**. This transaction is an additional sign in NB's restructuring process, **normalizing the funding structure**, through the simplification of debt instruments and investor base diversification. As of Jun-21, LCR was 150% and NSFR 112%.

# ...reaching high-single digit RoTE, while strengthen its value-proposition and ground for accretive and continuous growth

## From Consolidated Income Before Tax to Underlying Profitability

(1H2021; €mn)



Consolidated income before tax at €196mn up from -€525mn in 1H20, a clear profitability turnaround enabled by restructuring efforts over recent years.

Underlying profitability (pre-tax) reaching €138mn driven by increased Core operating income<sup>2</sup> (+28% YoY), even when excluding positive markets results (€93mn).

A solid business model delivering pre-tax RoTE<sup>1</sup> at 8.7%, despite the highly challenging environment.

# Macroeconomic Environment

Operating in a market on ongoing recovery and a favourable outlook...

After a contraction in 1Q, **economic activity resumed the recovery in 2Q**, benefiting from favourable base effects and from a gradual reopening and normalisation of the economy.

The ongoing recovery remains unequal: **manufacturing (consumption and investment goods), retail sales and exports have recovered to pre-pandemic levels.**

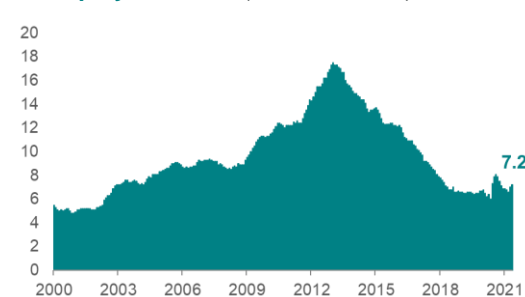
**Activity in services remains well below pre-pandemic levels**, particularly in tourism. Overnight stays of non-resident tourists still falling close to 84% vs. 2019.

Activity growth should be supported by **favourable financing conditions**, by the **gradual reopening of the economy** and by **stronger investment, supported by the recovery and resilience plan (RRP).**

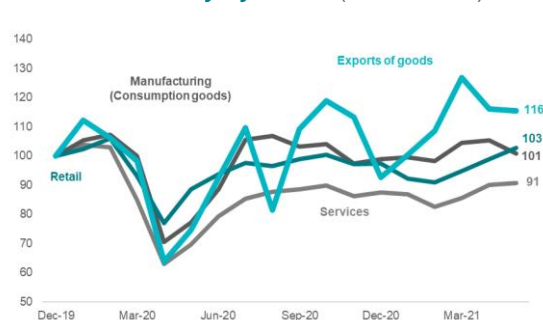
GDP growth (% QoQ and YoY)



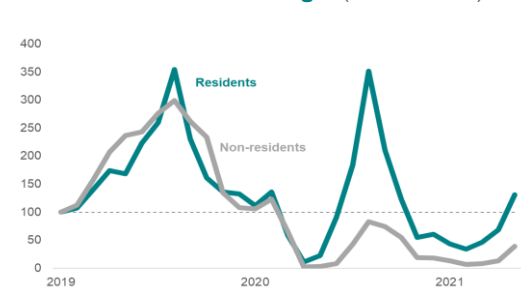
Unemployment rate (% labour force)



Economic activity by sector (Dec-19=100)



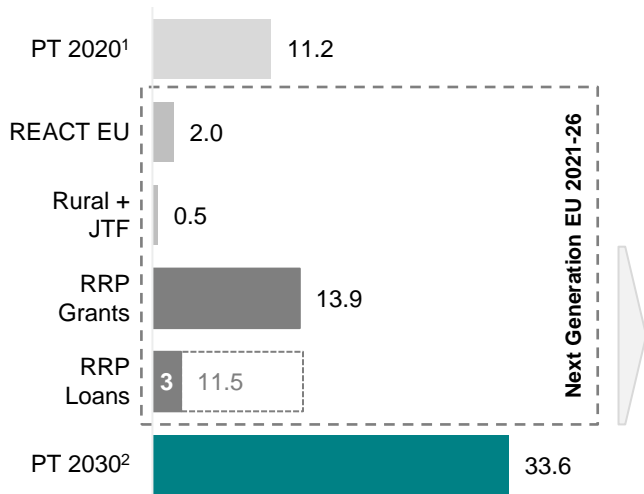
Number of overnight stays in tourist accommodation in Portugal (Jan-19=100)



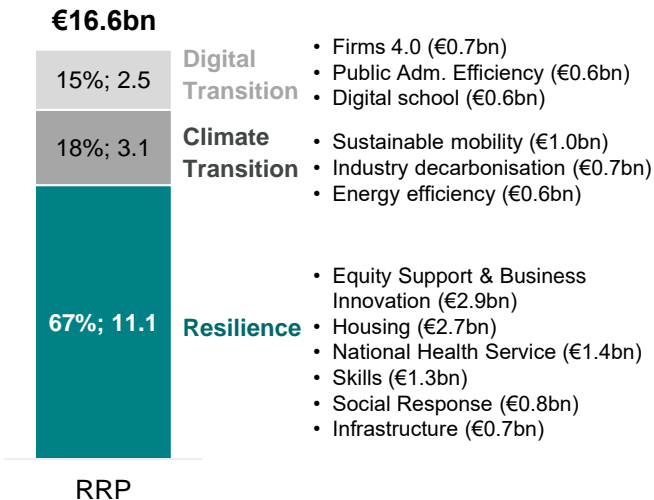
# Macroeconomic Environment

...supported by financing conditions and stronger investment growth

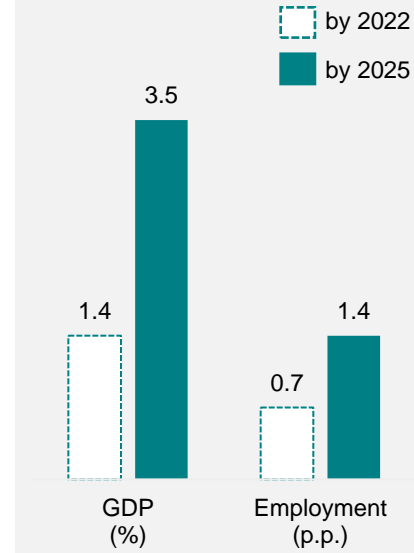
**Financial Instruments 2021-2029**  
(€bn)



**RRP – Recovery and Resilience Programme<sup>1</sup>**  
(€bn; % of total)



**Estimated RRP impacts**  
(% and p.p. vs. baseline)



**€61bn of EU funds from 2021-27,  
increasing investment in the green economy, digital transformation and infrastructure**

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# Customer & Business Performance

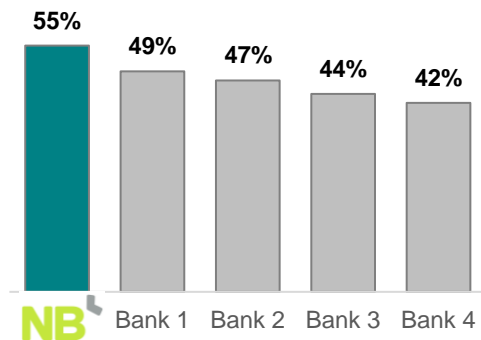
Delivering sound profitability, being well positioned to grow and...

...keep supporting the domestic recovery

**10.3%** Global market share<sup>2</sup>

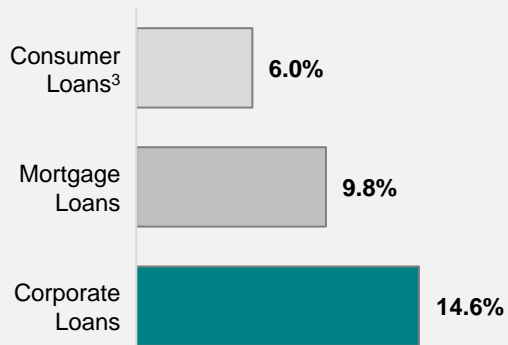
## Weight of Corporate Credit <sup>1</sup>

(vs Overall portfolio; %)



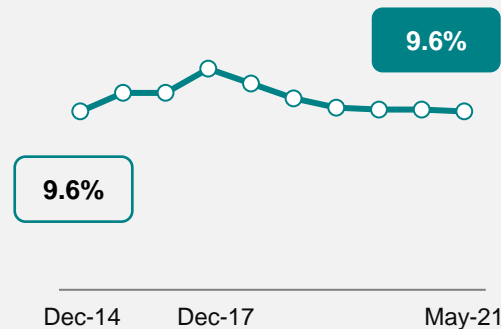
## Market share<sup>2</sup> by segment

(May-21; %)



## Deposits Market Share Evolution

(May-21; %; stock)



A leading player in the Corporate segment, helping clients to innovate, reinvent, export and transform great difficulties into great opportunities.

# Customer & Business Performance

## Providing an integrated customer experience leveraging on a new branch model...

### Multiple formats...



### New distribution model

...based on customized features...

- Retail & SMEs
- Welcome greeting and redirecting
- Self service transactions
- Paperless information & Advertising
- Convenience
- Hosting and familiar environment
- Engagement with the community

...to:



Promote customer relationship and business innovation with permanent digital and back-office support

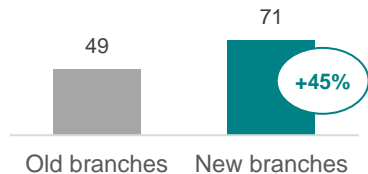


NB acting as a driving force for a thriving economy by being a focal point for individuals and companies

16 branches refurbished until 1st Quarter as part of a 3 years nationwide investment program of ~€120mn

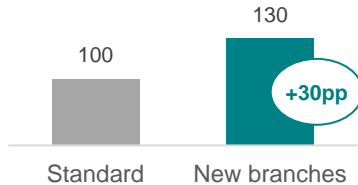
### More productive<sup>1</sup>

Sales per FTE (#)



### More effective<sup>1</sup>

KPIs for clients acquired in new branches (%)



consider the new experience better than the previous one

# Customer & Business Performance

...and self-service channels, backed by digital transformation...



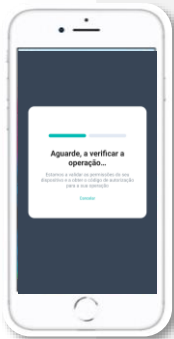
## Key 1H21 Developments

### App: New Functionalities

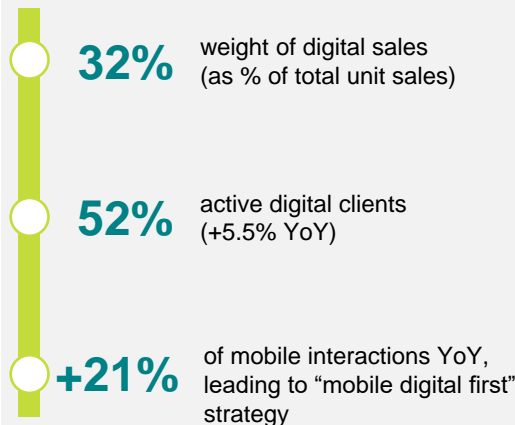
- **New Push notification OTPs:** Improved customer experience in transactions validation, increasing security and reducing SMS costs
- **Automatic expenses classification:** improving client experience on planning and management of personal finances

### Investment Funds on digital channels

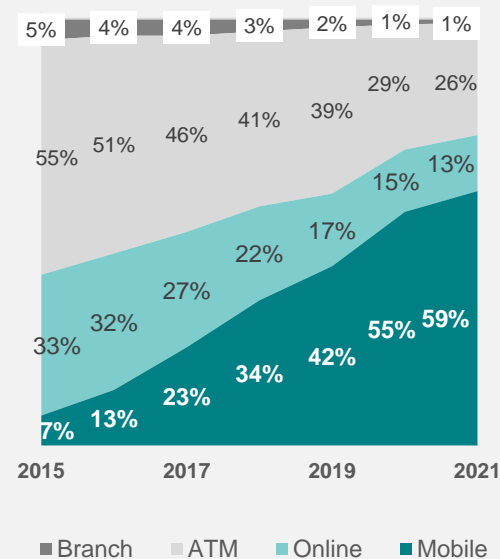
- Subscribe 3<sup>rd</sup> party funds on digital channels;
- Detailed information available through the Morning Star platform;
- >40% of 3<sup>rd</sup> party fund operations subscribed through digital channels



## 1H21 Key Metrics



## Evolution of Consumer touchpoints



# Customer & Business Performance

## ...and innovative products and services

### Investment Advice Service



#### Understanding the right investment for each customer

Engage with our customers to understand their needs, product knowledge and experience, risk appetite, investment horizon and goals.



#### Offer expert advice in the form of an investment proposal

Dedicated specialists provide advice on capital market developments, opportunities and risks of financial products, translating that knowledge into an investment proposal.

#### Dedicated platform

Designed as an investment advice tool



#### Wide product range

Includes both NB and 3<sup>rd</sup> party products



#### Defined limits

Including: risk, concentration and time horizon

#### Investment proposals

Execution ratio (%)

27%

61%

73%

Proposals submitted (#)

~490

~770

>3,500

+369%  
QoQ

YE2020

1Q21

2Q21

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# 1H21 Financial Results

Continuous positive performance (1Q21: €71mn; 2Q21: €67mn) despite the challenging environment

## Income Statement<sup>1</sup> (€mn)

	1H 2020	1H 2021	▲ YoY €mn
<b>1</b> Net Interest Income	255.7	289.3	+33.6
<b>2</b> + Fees & Commissions	131.4	135.5	+4.1
<b>= Commercial Banking Income</b>	<b>387.1</b>	<b>424.8</b>	<b>+37.7</b>
+ Capital Markets Results	-35.7	93.3	+129.1
+ Other Operating Results	-57.9	-29.1	+28.8
<b>= Banking Income</b>	<b>293.5</b>	<b>489.0</b>	<b>+195.5</b>
<b>3</b> - Operating Costs	214.1	204.1	(10.0)
<b>= Net Operating Income</b>	<b>79.4</b>	<b>284.9</b>	<b>+205.5</b>
+ Restructuring funds valuation	-260.6	0.0	+260.6
<b>4</b> - Net Impairments & Provisions	343.7	89.2	(254.5)
<b>= Income Before Tax</b>	<b>-524.8</b>	<b>195.7</b>	<b>+720.5</b>
- Corporate Income Tax	4.6	21.1	+16.6
- Special Tax on Banks	27.4	34.2	+6.8
<b>= Income after Taxes</b>	<b>-556.8</b>	<b>140.4</b>	<b>+697.2</b>
- Non-Controlling Interests	-1.5	2.7	+4.2
<b>= Net Income for the period</b>	<b>-555.3</b>	<b>137.7</b>	<b>+693.0</b>

## Highlights

- NII (+€34mn; +13% YoY) benefitting from the higher net interest margin given the significant progress in cost of funding reduction and stable asset pricing;
- Commissions (+€4mn; +3% YoY) driven by increased economic activity after lockdown measures in place in 1Q21 (2Q21: €72.8mn; +14.5% YoY);
- Capital Markets results of €93mn attributable mainly to investment portfolio and balance sheet management activities;
- Other Operating results includes €41mn of contributions to Resolution Funds;
- Operating Costs (-€10mn; -5% YoY) reflecting the commitment to further efficiency, improvements and business recalibration;
- Core operating income at €221mn (+28% YoY) from higher commercial banking income (+10%) and lower operating costs (-5%);
- Following an independent valuation assessment of stakes in the Restructuring Funds, in 1H20 NB booked a loss €261mn<sup>2</sup>;
- Provisions at €89mn (-€254mn YoY), includes €35mn Covid-19 related provisions, leading to CoR of 40bps (adjusted for Covid-19);
- **Net income of +€138mn (+€693mn YoY) supported by the restructuring process executed in recent years and driven by commercial activity performance.**

# 1H21 Financial Results

NII increasing by +13% YoY benefiting from cost of funding optimization measures

## 1 Consolidated: Net Interest Income (NII) and Net Interest Margin (NIM)

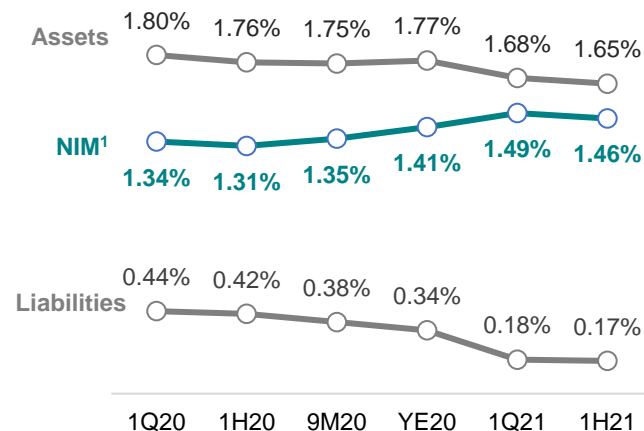
	1H 2020 Reported <sup>1</sup>			1H 2021		
	Avg. Balance	Avg. Rate	Income/ Costs	Avg. Balance	Avg. Rate	Income/ Costs
€ million; %						
Customer Loans	27 054	2.07%	284	25 033	2.03%	255
Corporate loans	15 281	2.31%	179	13 734	2.35%	162
Mortgage lending	10 244	1.19%	62	9 946	1.06%	53
Consumer loans and Others	1 528	5.73%	44	1 353	5.90%	40
Money Market Placements	2 896	0.63%	9	3 883	0.18%	4
Securities and Other Assets	10 788	1.27%	69	10 479	1.27%	67
<b>Interest Earning Assets &amp; Other</b>	<b>40 738</b>	<b>1.76%</b>	<b>362</b>	<b>39 395</b>	<b>1.65%</b>	<b>326</b>
<b>Interest Bearing Liabilities &amp; Other</b>	<b>40 738</b>	<b>0.42%</b>	<b>87</b>	<b>39 395</b>	<b>0.17%</b>	<b>35</b>
<b>NIM / NII<sup>1</sup></b>		<b>1.31%</b>	<b>271</b>		<b>1.46%</b>	<b>289</b>

+13%

Lower average loan rate (-4bps YoY) given the different asset mix (-2bps) and lower rates (-2bps).

The lower YoY balance reflects mainly the discontinuation of Spanish operations, and the sale of the Carter & Wilkinson NPL portfolios (broadly stable on an adjusted basis).

## Net Interest Margin evolution (%)

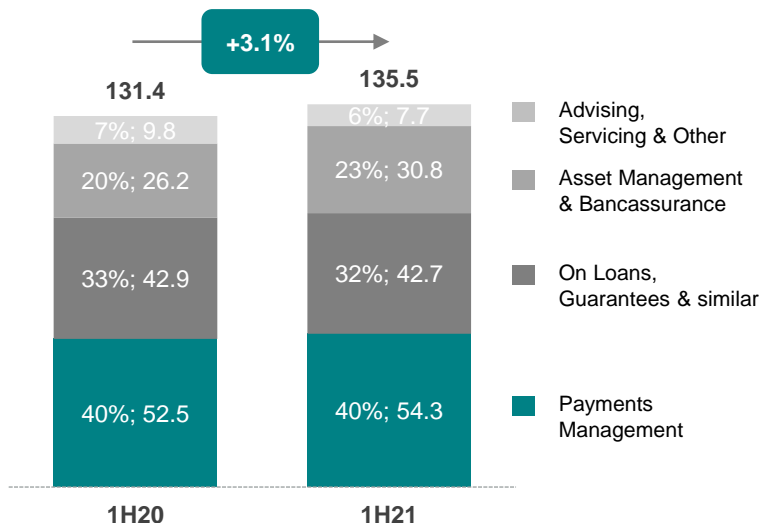


NII evolution (+13% on a comparable basis) benefiting from 25bps reduction of the average liability rate, that offset the evolution of the average interest rate on assets (-11bps).

# 1H21 Financial Results

Fees increased 3.1% YoY, driven by the 2Q21 performance (+14.5% YoY),...

## 2 Fees breakdown<sup>1</sup> (Consolidated; %; €mn)



**The asset mgmt & bancassurance fee income (+€4.6mn; +17%)** reflects the increased commercial activity and clients' product appetite along with impact of capital markets on annual management fees.

**Performance of Commissions on Loans, guarantees and similar (-€0.2mn)** broadly stable YoY with 2Q21 performance offsetting 1Q21 from higher loan production with the acceleration of economic activity.

**Payments management (+€1.8mn; +3.5%)** reflecting the increase in merchant transactions and pricing, including positive performance of service accounts.

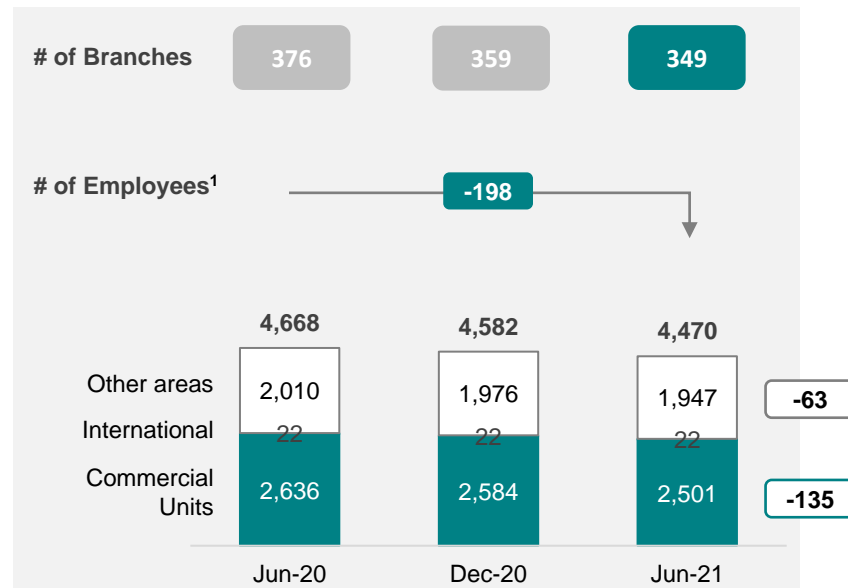
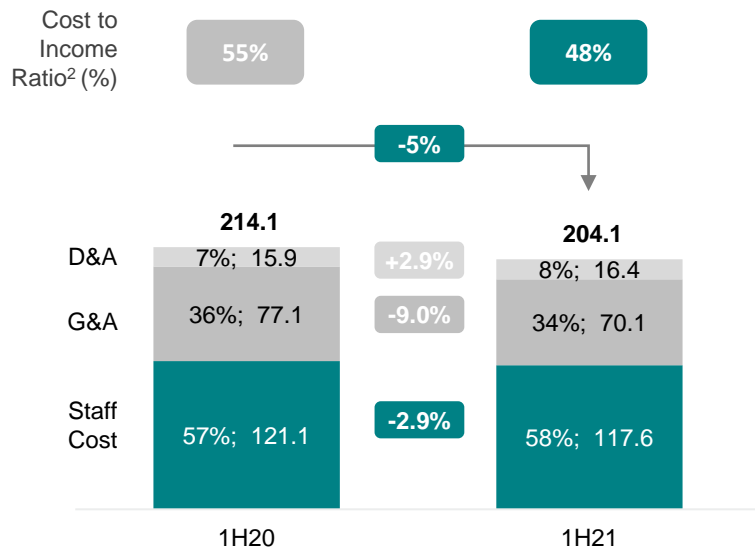
...with the recovery of economic activity leading to more transactions and new business.



# 1H21 Financial Results

## Increased income generation allied with further efficiency improvements

### 3 Consolidated Operating Costs<sup>1</sup> (%; €mn)

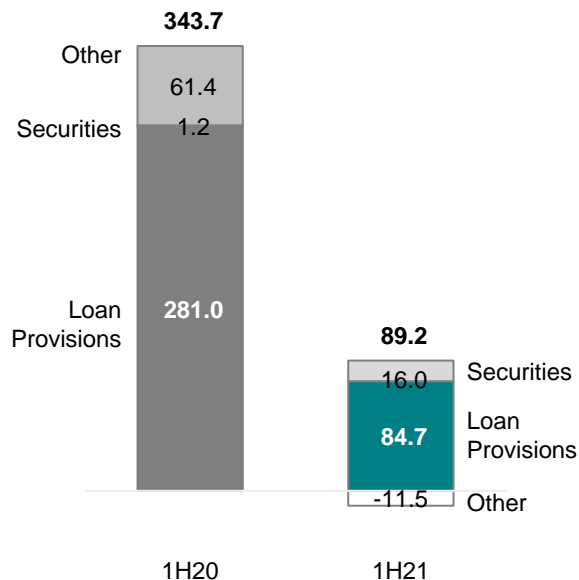


Implementation of cost optimization measures and ongoing recalibration, while investing in the future of the business.

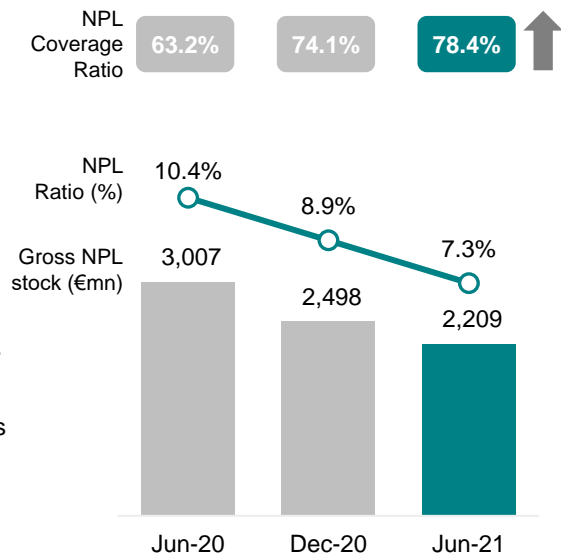
# 1H21 Financial Results

## Cost of risk trending towards normalised levels despite exceptional charges (€35mn)

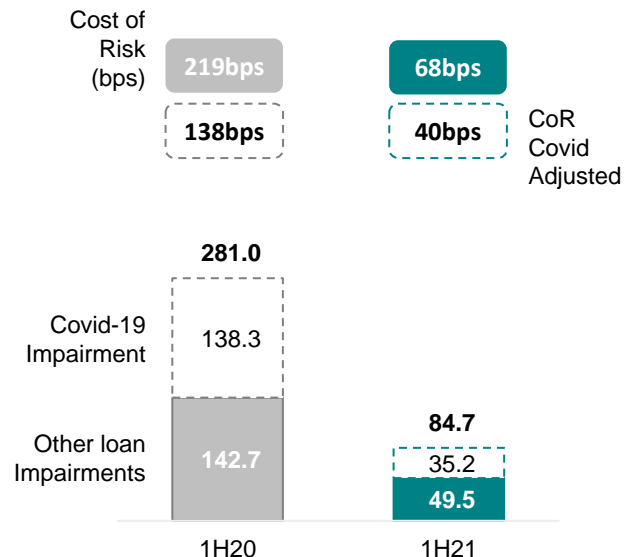
### 4 Impairment and Provisions (€mn; %)



### NPL and NPL Ratio evolution (€mn; %)



### Cost of Risk & Loan Impairments (€mn; bps)



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# 1H2021 Balance Sheet

## Maintaining a solid Balance Sheet

### Consolidated Balance Sheet (€mn)

Assets	Dec-20	Jun-21	▲ YtD	
			€mn	%
Loans and advances to banks	2,809	4,985	2,176	77.4%
<b>1</b> Customer loans	23,617	23,512	(105)	-0.4%
<b>2</b> Real estate	881	869	(12)	-1.4%
<b>3</b> Securities	11,367	11,117	(249)	-2.2%
Current and deferred tax assets	775	674	(102)	-13.1%
Other assets	4,946	4,731	(215)	-4.3%
<b>Total Assets</b>	<b>44,396</b>	<b>45,887</b>	<b>1,492</b>	<b>3.4%</b>

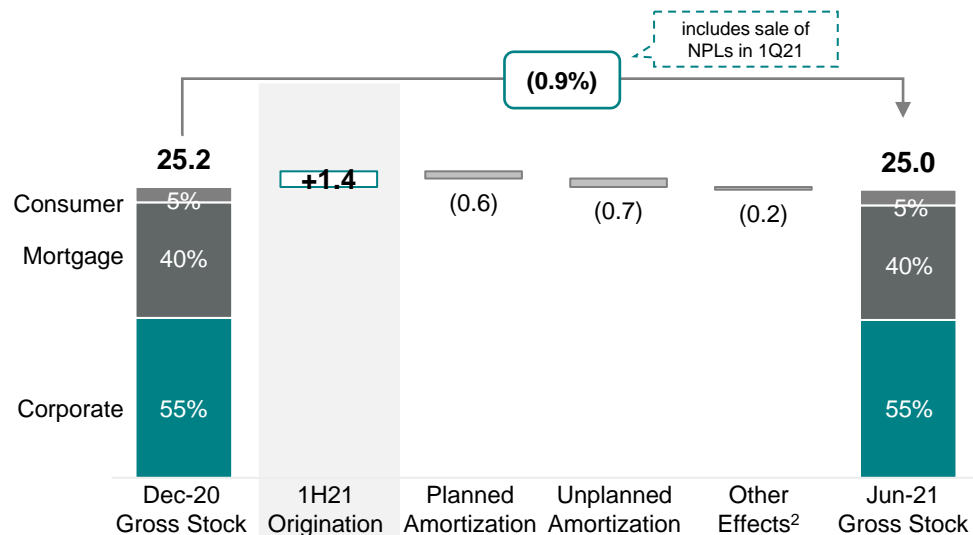
Liabilities & Equity	Dec-20	Jun-21	▲ YtD	
			€mn	%
Due to central banks and banks	10,103	10,519	416	4.1%
Customer deposits	26,093	26,875	782	3.0%
Debt securities	973	991	18	1.8%
Non-current liabilities held for sale	1,996	2,121	125	6.2%
Other liabilities	2,083	2,143	59	2.8%
<b>Total Liabilities</b>	<b>41,249</b>	<b>42,648</b>	<b>1,399</b>	<b>3.4%</b>
<b>Equity</b>	<b>3,147</b>	<b>3,239</b>	<b>92</b>	<b>2.9%</b>
<b>Total Liabilities and Equity</b>	<b>44,396</b>	<b>45,887</b>	<b>1,492</b>	<b>3.4%</b>

- **Net customer loans at €23.5bn, broadly stable** across corporate (adjusted for NPL disposal), mortgage and consumer books;
- **Customer Deposits growing €782mn (+3.0% YTD), to €26.9bn**, with retail representing 72% and term deposits and savings 54% (mix unchanged YTD);
- **Total Funds**, including balance sheet customer funds (€28.2bn; +€895mn; +3.3%) and off-balance sheet (€4.7bn; +€279mn; +6.4%), **amounted to €32.8bn (+€1,174mn YTD; +3.7%)**.

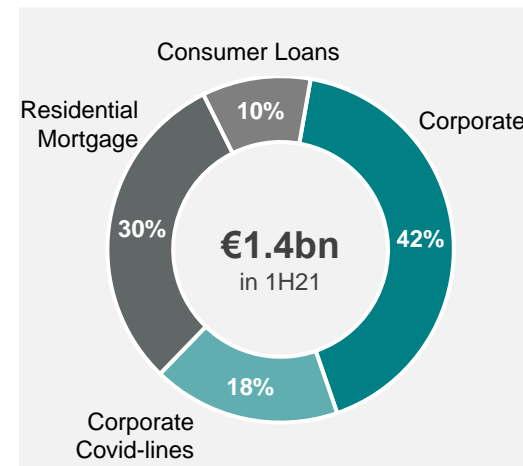
# 1H2021 Balance Sheet – Customer Loans

## €1.4bn customer loans originated in the period...

**1** Loans to Customers – Gross Book Value Evolution<sup>1</sup>  
(€bn; %)



**Loans to Customers: Origination YTD**  
(NB origination; €bn; %)

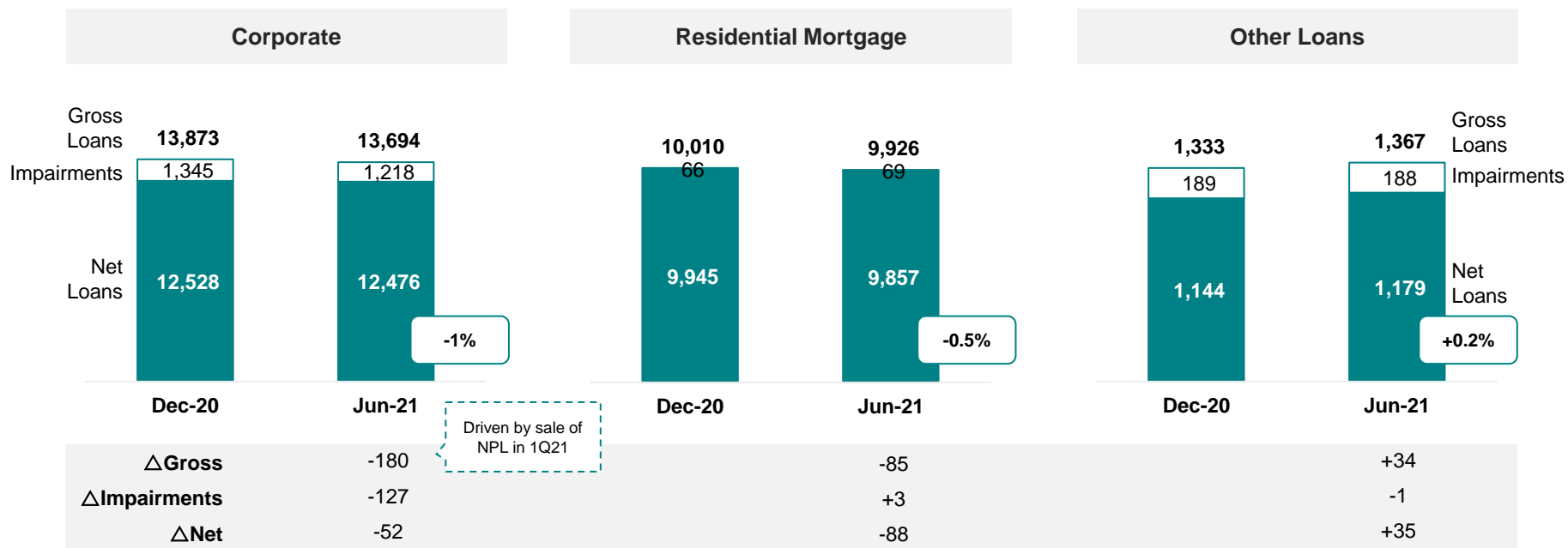


...with corporate segment at the core of its business model (59% of 1H21 origination), leading to...

# 1H2021 Balance Sheet – Customer Loans

...stable YTD net book volume at €23.5bn (adjusted by portfolio sale in the period)

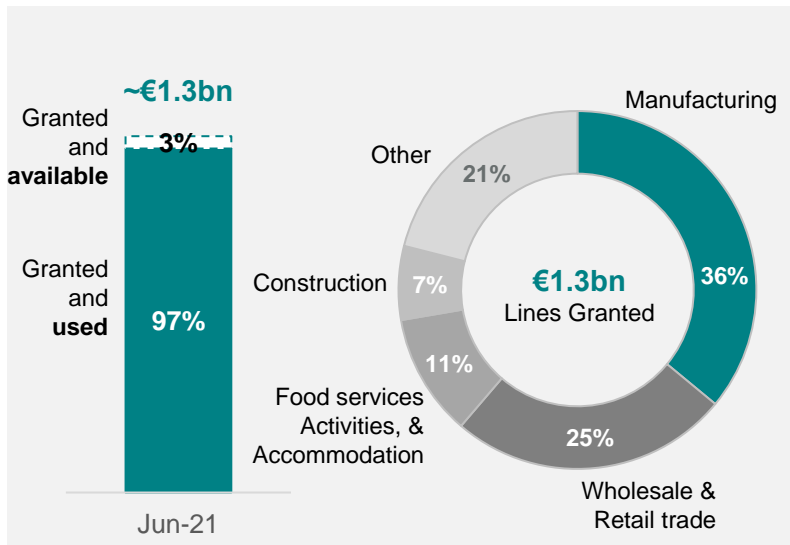
1 Consolidated Loan Book Evolution  
(€mn)



# 1H2021 Balance Sheet – Customer Loans

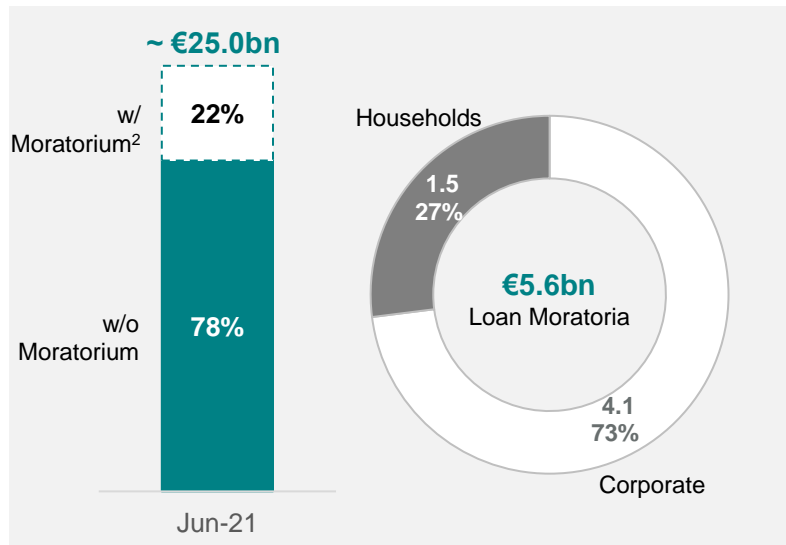
## Supporting companies and households to foster the Portuguese economy

### 1 Covid-19 Credit Lines: Used & Granted<sup>1</sup> (%; €bn)



Covid credit lines guaranteed at [80%-90%]

### Loan Book and Moratoria exposure<sup>2</sup> (%; €bn; Gross book value)



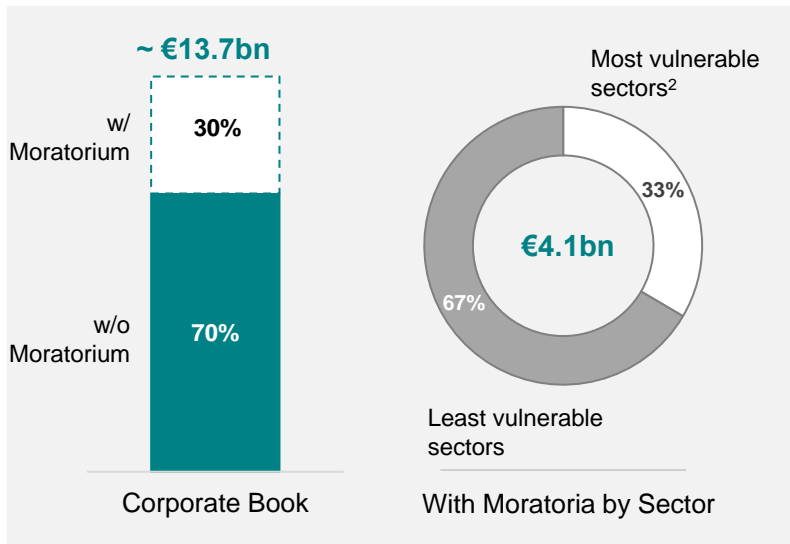
Corporate loans moratoria with gradual phased-out: from 1st April to 30 September

# 1H2021 Balance Sheet – Customer Loans

To minimize potential cliff effect of moratoria expiration, NB has segmented risks...

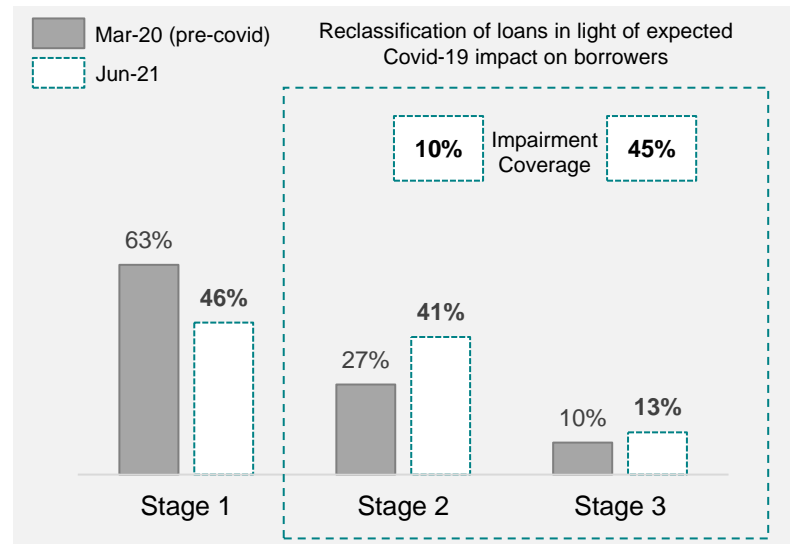
## 1 Corporate Moratoria by Segment<sup>1</sup>

(Jun-21; %; €bn)



## Corporate Moratoria by stage<sup>2</sup>

(%)



...and is leveraging on close relationships with clients to anticipate support and provide sustainable options to clients.

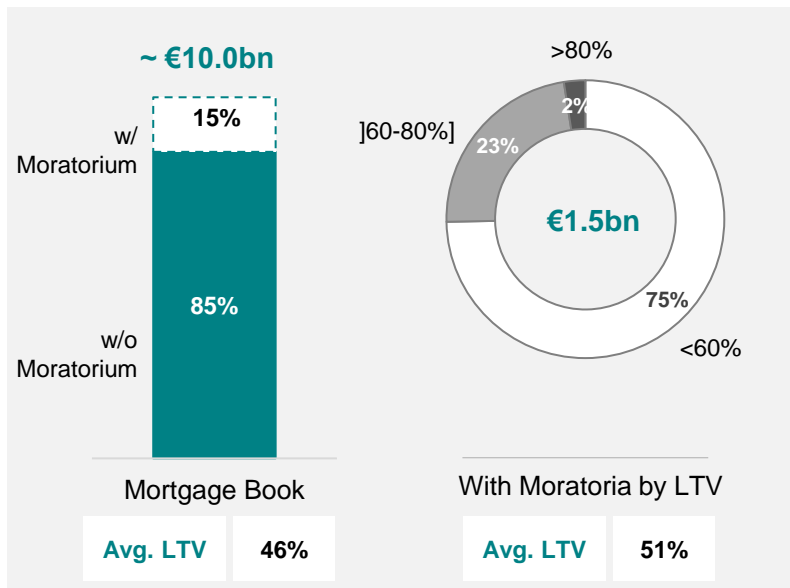


# 1H2021 Balance Sheet – Customer Loans

## Conservative mortgage portfolio in a resilient residential real estate market

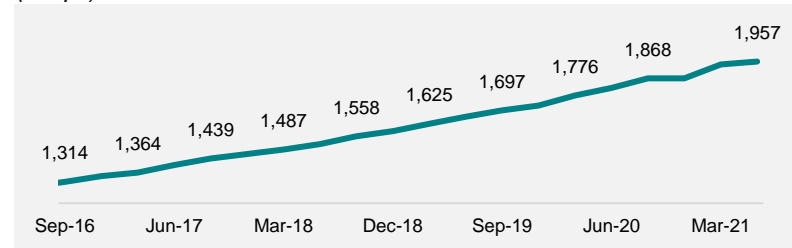
### 1 Residential Mortgage by Segment

(Jun-21; %; €bn)

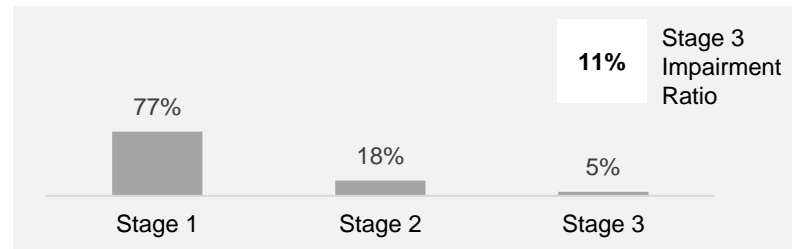


### Evolution of Residential RE Prices in Portugal<sup>1</sup>

(€/sqm)



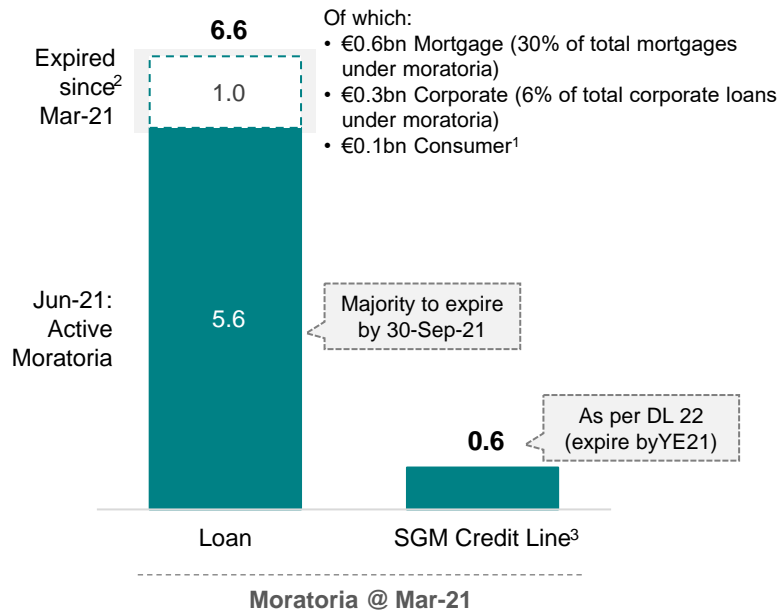
### Mortgage Moratorium by stage (%)



# 1H2021 Balance Sheet – Customer Loans

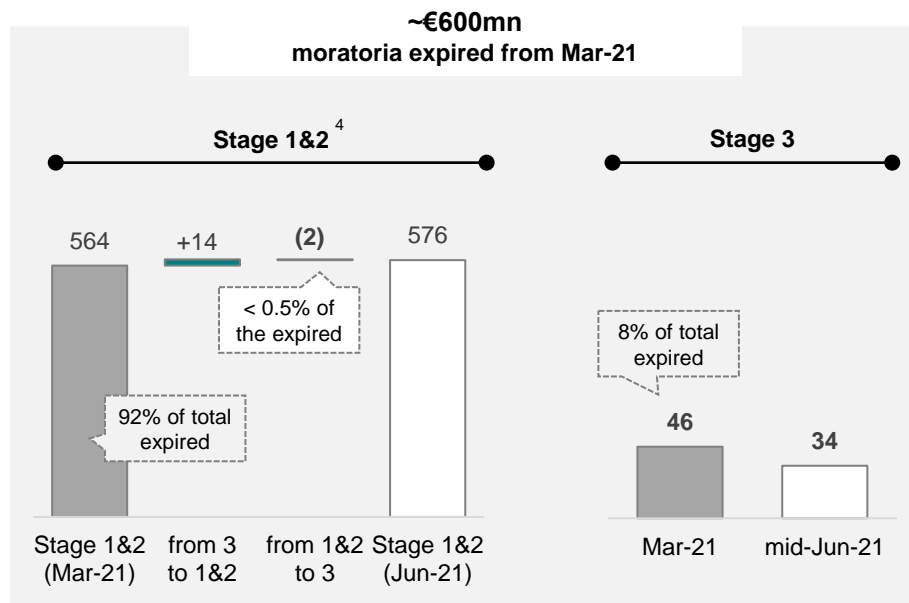
Only <0.5% from the €0.6bn mortgages under moratoria expired moved to Stage 3

## 1 Moratoria: Expiration Schedule (%; €bn)



## Mortgage: Post-moratoria preliminary performance analysis

(€mn)

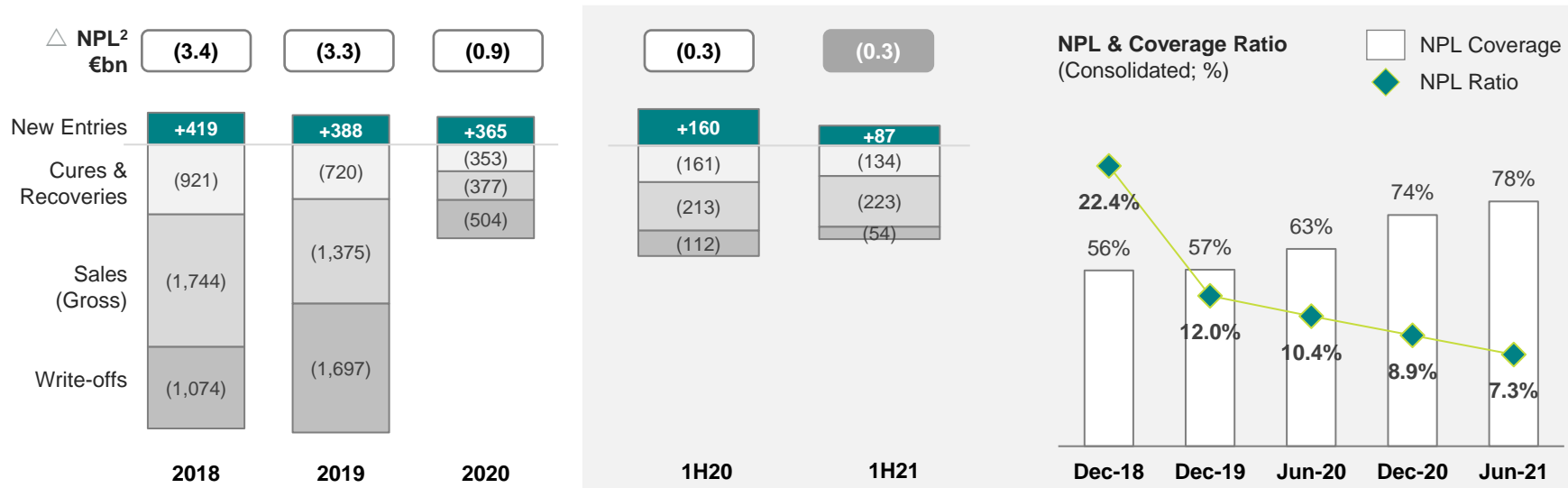


# 1H2021 Balance Sheet – Customer Loans

Significant reduction of NPL entries & stock as the Bank targets to achieve the EU average ratio

## 1 Non-performing Loans Evolution

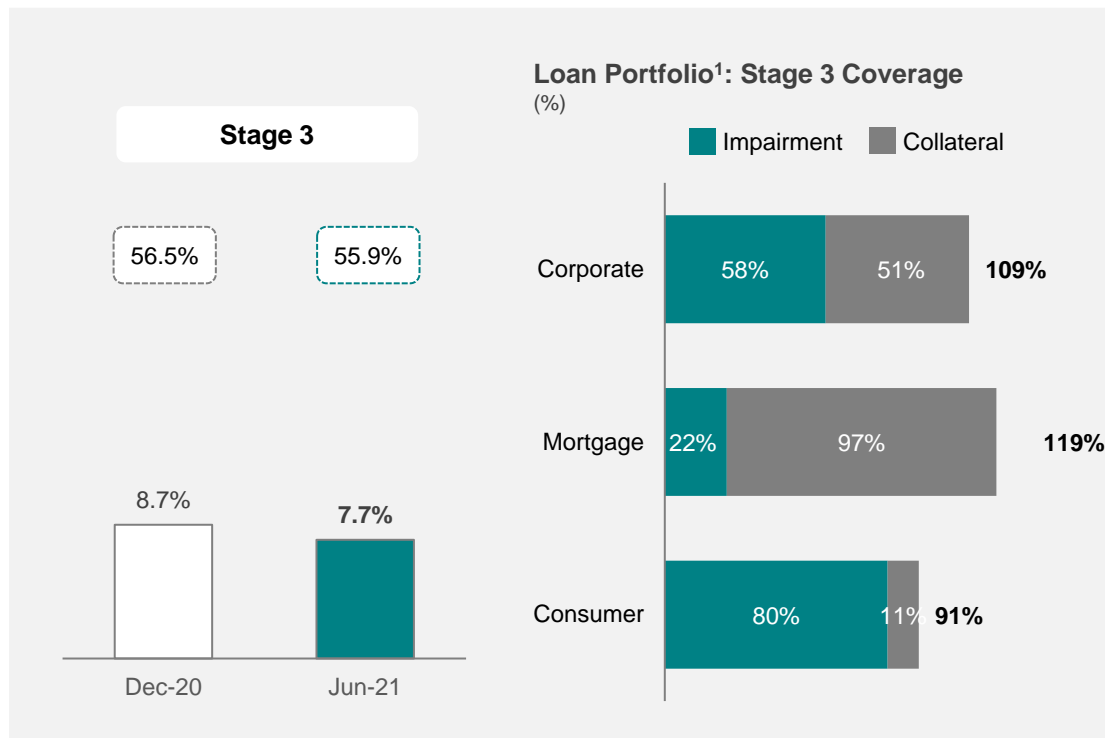
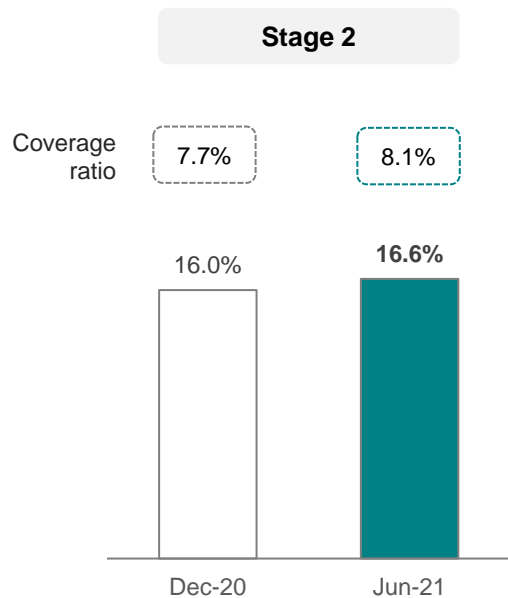
(%; €mn; Gross NPL<sup>1</sup>)



# 1Q2021 Balance Sheet - Customer Loans

## Leading coverage levels and provisioning

### 1 Loan Portfolio by Stages (Consolidated<sup>1</sup>; %)



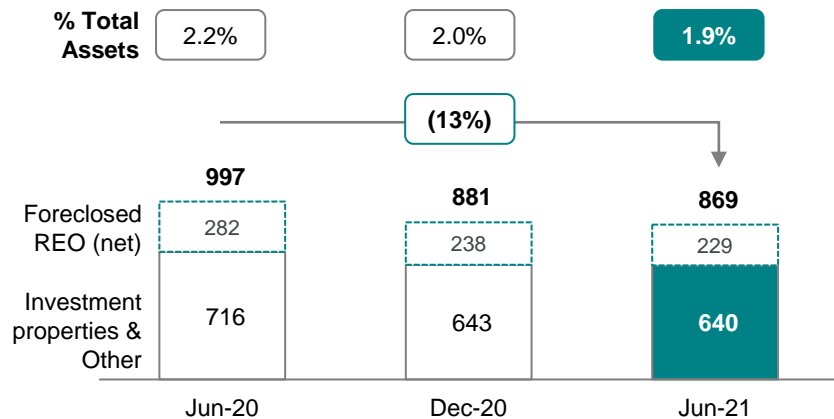
# 1H2021 Balance Sheet – Real Estate

Reduced RE exposure to 1.9% of total assets with best-in-class coverage

2

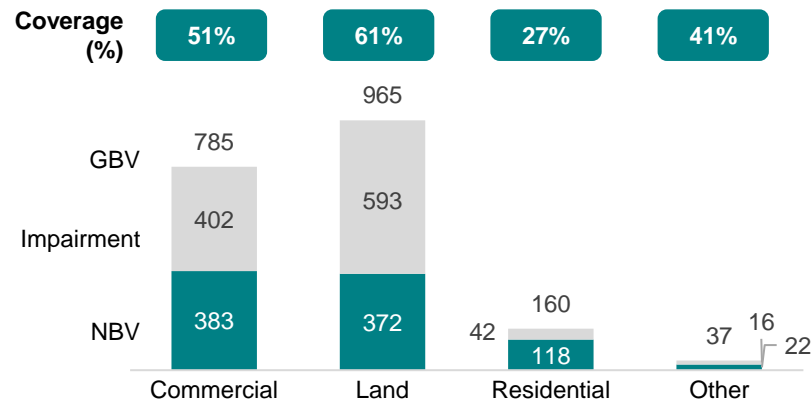
## Evolution of NB Real Estate Exposure

(Consolidated; €mn NBV)



## Real Estate Portfolio: Coverage by Asset Type

(Consolidated; €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

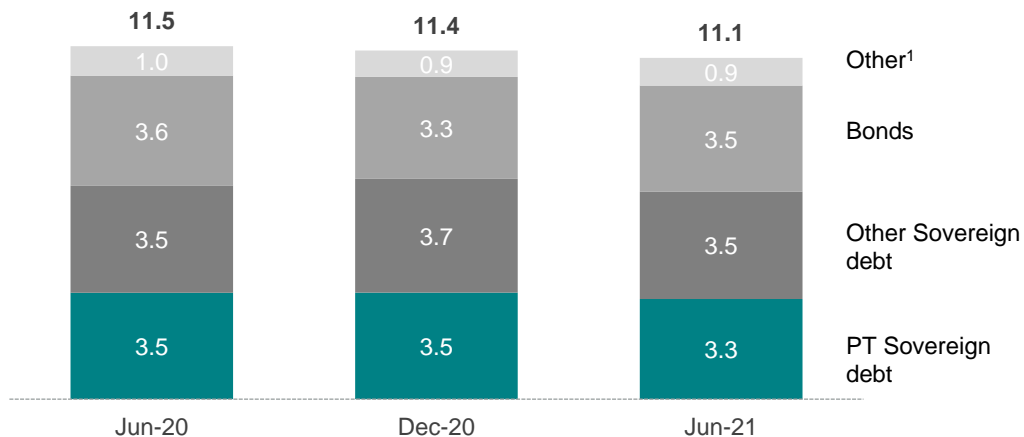
# 1H2021 Balance Sheet – Securities

Conservative securities portfolio of €11.1bn mainly composed by sovereign debt...

3

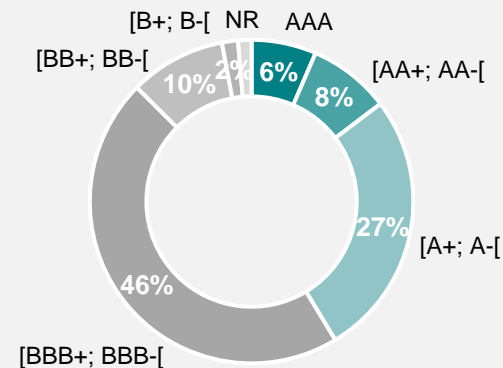
## Securities Portfolio: Breakdown

(€bn)



## Securities Portfolio: Ratings<sup>2</sup>

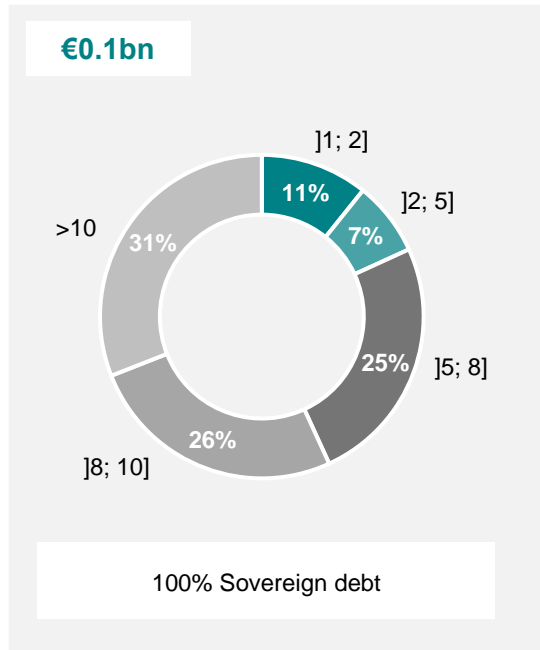
(Jun-21; €bn)



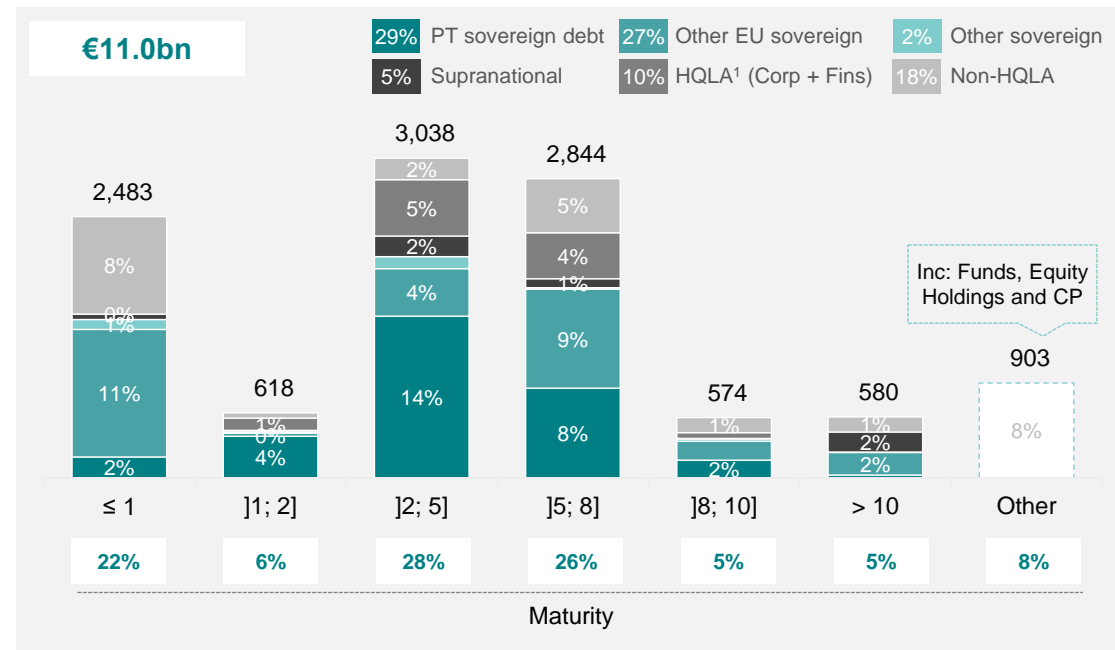
# 1H2021 Balance Sheet – Securities

...with an average yield of 1.27%

3 **Securities Portfolio: Trading Book by maturity**  
(Jun-21; %)



**Securities Portfolio: Banking Book by maturity**  
(Jun-21; €mn; %)



# Agenda

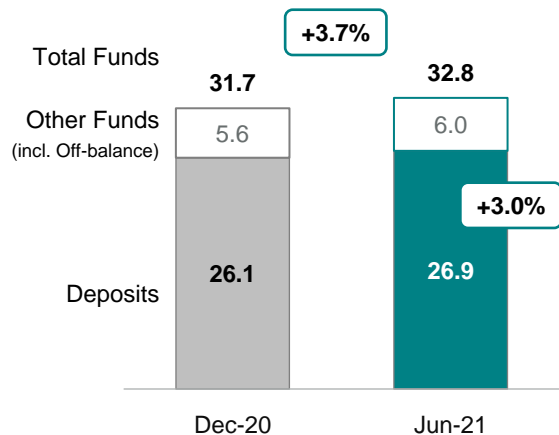
1. Highlights
2. Customer & Business Performance
3. Financial Results
4. Balance Sheet
- 5. Funding & Capital Management**
6. Appendix



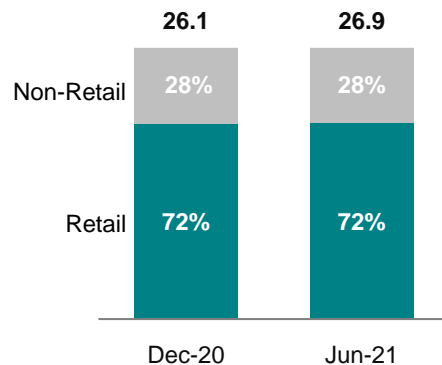
# 1H2021 Balance Sheet – Funding

Customer deposits +3.0% YTD (and Total Funds +3.7%),...

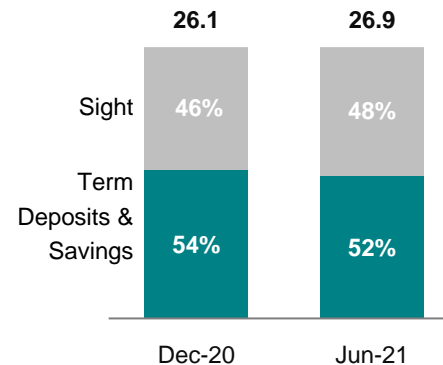
**Customer Deposits & Total Funds**  
(%; €bn)



**Deposits Breakdown by Customer**  
(€bn; %)



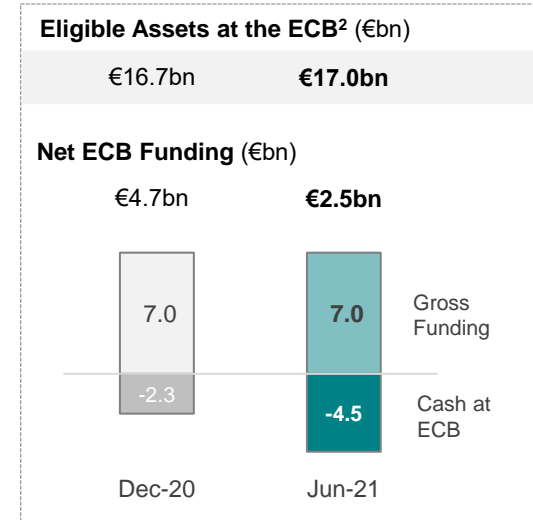
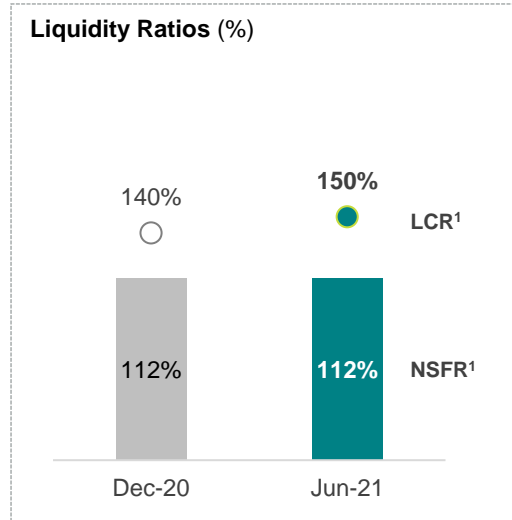
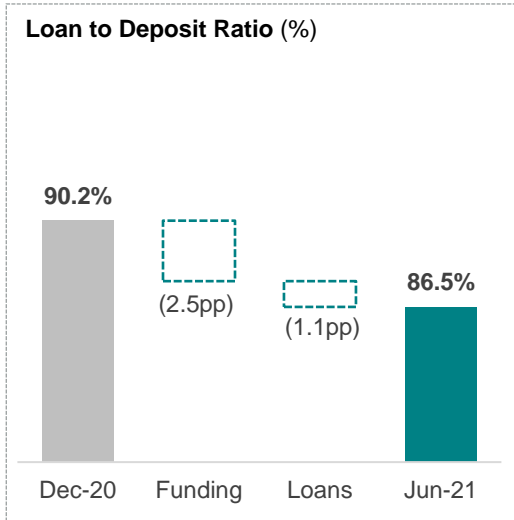
**Deposits Breakdown by Type**  
(€bn; %)



...with evolution reflecting customers' confidence despite the low interest rates environment.

# 1H2021 Balance Sheet – Funding

## Stable deposit base supporting strong liquidity position



ECB eligible assets at €17.0bn, which together with other HQLA assets led to a liquidity buffer ~€12.8bn, mostly composed of highly liquid assets (~84%).

# 1H2021 Balance Sheet – Funding

NB issued €300mn 3NC2 inaugural senior preferred note - a further sign its restructuring process

## MREL requirement:

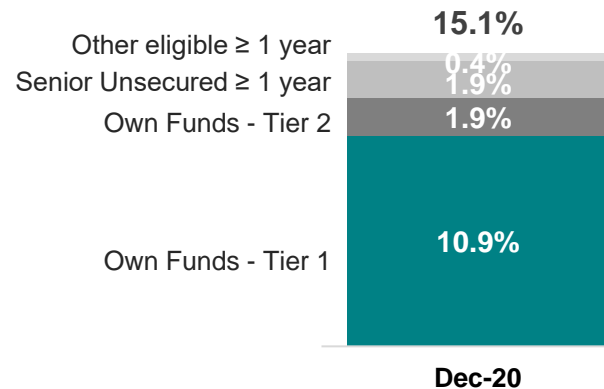
(received by NB on Jun-21)

	Jan-22	Jan-26
TREA <sup>1</sup>	14.64%	22.78%
Combined Buffer	2.88%	n.a. <sup>2</sup>
<b>Total</b>	<b>17.52%</b>	<b>22.78% + CBR</b>
LRE <sup>3</sup>	5.91%	5.91%

- A **minimum subordination** requirement was **not applied** to NB;
- As of Dec-20, NOVO BANCO had a **MREL position of 15.1% of TREA**, and **already complies with** the MREL requirements as **percentage of LRE**.

## MREL ratio

(% RWA; considers €317mn CCA received)



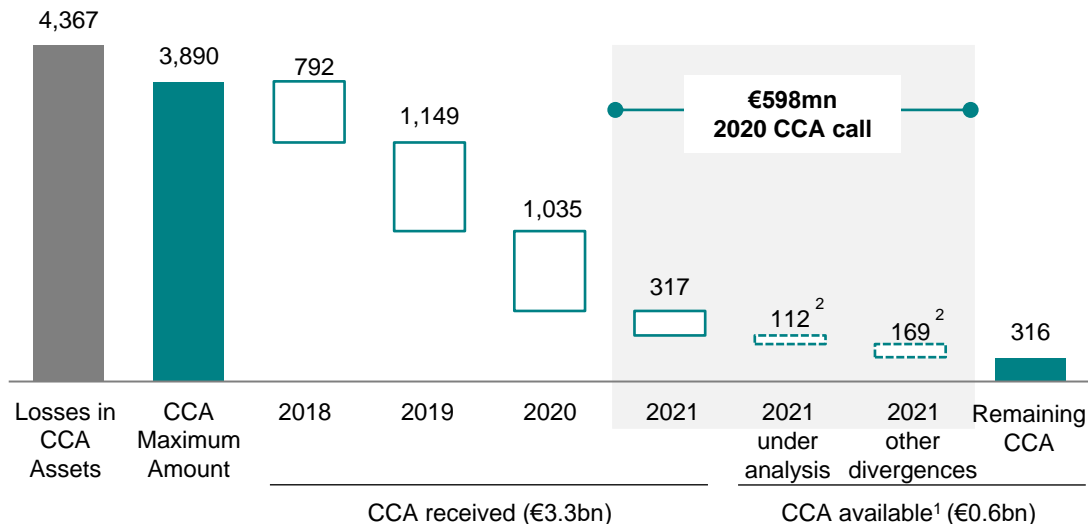
- **July 13<sup>th</sup>**: Issuance of €300mn inaugural SPN, being MREL eligible and establishing a foundation for future issuances;
- **July 28<sup>th</sup>**: Tendered ~€161mn (repurchase amount; equivalent to ~€88mn book value) normalizing the funding structure.

# 1H2021 Balance Sheet – Capital Management

CCA was established, as part of NB sale process in 2017, to act as a capital instrument...

## CCA - Contingent Capital Agreement Compensation amounts

(€ million)



As agreed during the sale process of NOVO BANCO, a Contingent Capital Agreement (“CCA”) was entered into between the Resolution Fund and NOVO BANCO.

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

Minimum Capital Condition :

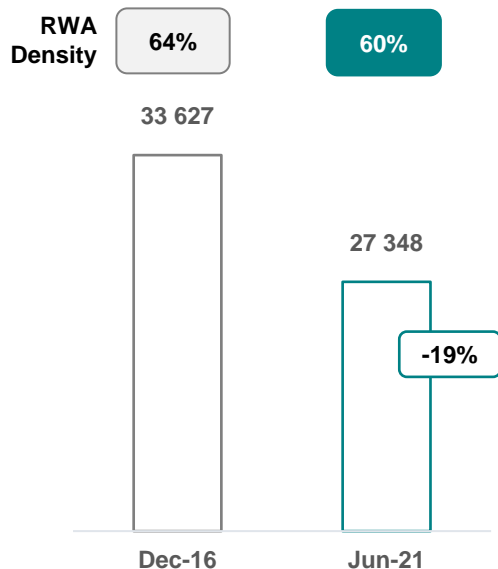
- CET1 or Tier 1 < CET1 or Tier 1 SREP requirement Plus a buffer for the first 3 years (2017 - 2019)
- CET1 < 12%

The mechanism is in place until 31 December 2025 (the “CCA Maturity Date”), which date can be extended, under certain conditions, by one additional year.

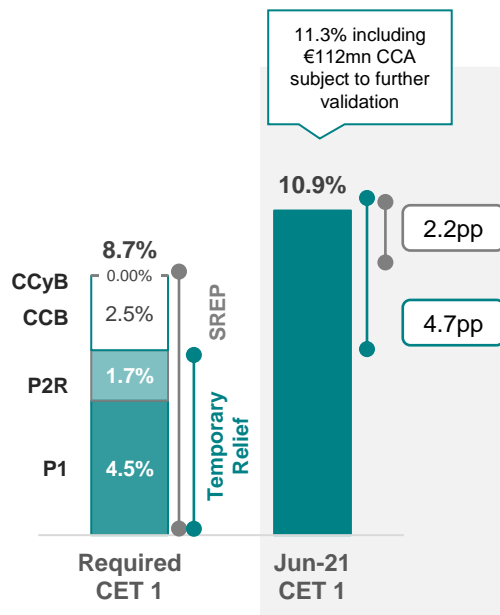
# 1H2021 Balance Sheet – Capital Management

...while the Bank executed its de-risking strategy, operating temporary capital requirement,...

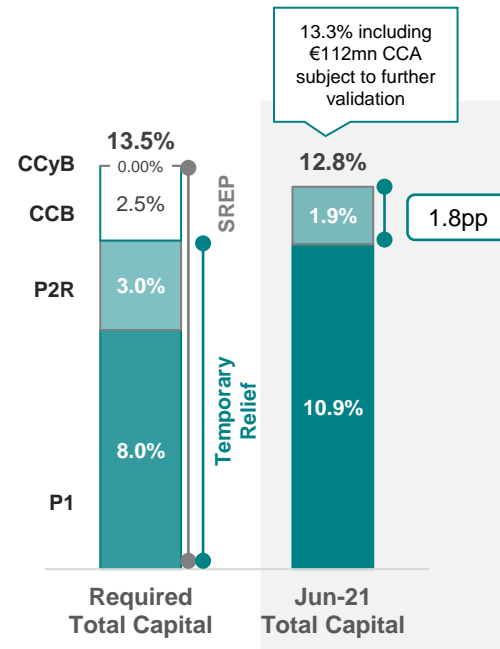
**Risk Weighted Assets (RWA) Evolution**  
(€ million)



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



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

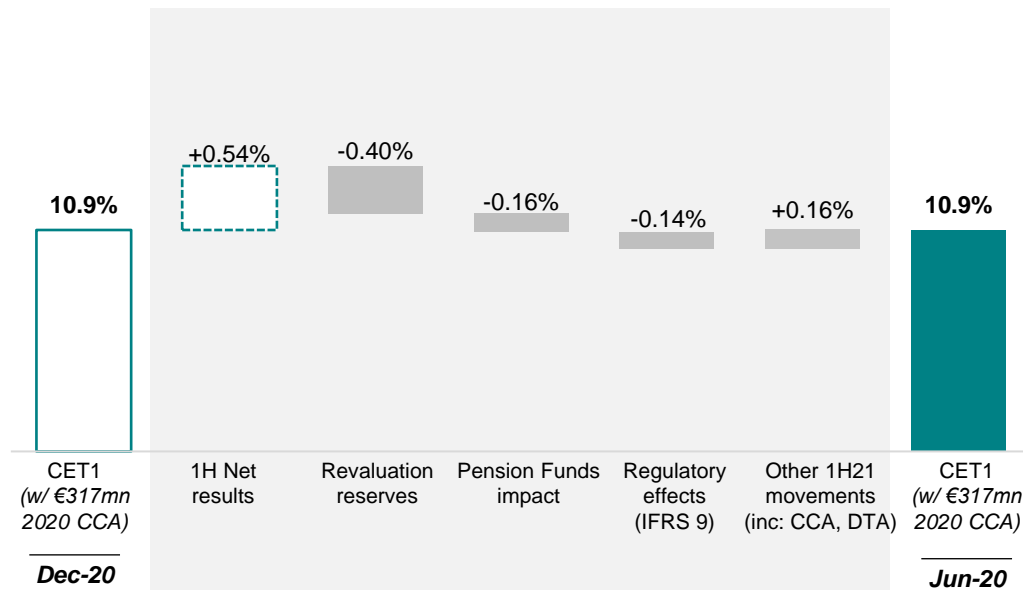


# 1H2021 Balance Sheet – Capital Management

...and demonstrating today NB's value creation with 1H21 capital accretive Net Results<sup>1</sup>

## CET 1 Ratio Evolution<sup>1</sup>

(phased-in; %)



### > Amounts in dispute expected to be paid by FdR upon favourable decision to NB:

- From 2020 CCA call (to 12% CET1 ratio) incl:
  - €147mn of capital impact from the provisions made for the discontinuation of Spanish operations
  - €18mn related to restructuring funds fair value
- Additionally, €112mn retained by RF and subject to further validation (related to hedging instruments)
- Other disputes over potential additional payments under the CCA subject to arbitration:
  - Full implementation of IFRS9 in FY2019; decision expected in 4Q2021
  - The application of transitional arrangements for IFRS9 dynamic approach in FY 2020

> **Spanish operations: expected RWA relief with the completion of such divestment** (Dec-20: +0.55%)

# Agenda

1. Highlights
2. Customer & Business Performance
3. Financial Results
4. Balance Sheet
5. Funding & Capital Management
- 6. Appendix**

# NOVO BANCO Consolidated Income Statement – Quarterly data

(€ million)	1Q20 <sup>1</sup>	2Q20 <sup>1</sup>	1Q21	2Q21	▲ €mn YoY	▲ % YoY
Net Interest Income	130.2	125.5	145.7	143.5	+18.0	+14%
Fees and Commissions	67.9	63.6	62.8	72.8	+9.2	+14%
<b>Commercial Banking Income</b>	<b>198.0</b>	<b>189.1</b>	<b>208.5</b>	<b>216.3</b>	<b>+27.2</b>	<b>+14%</b>
Capital Markets Results	(94.1)	58.3	52.8	40.5	(17.8)	(31%)
Other Operating Results	2.5	(60.4)	12.2	(41.3)	+19.1	(32%)
<b>Banking Income</b>	<b>106.5</b>	<b>187.0</b>	<b>273.5</b>	<b>215.5</b>	<b>+28.5</b>	<b>+15%</b>
Operating Costs	108.3	105.8	102.7	101.4	(4.5)	(4%)
Staff Costs	61.4	59.7	58.7	58.9	(0.7)	(1%)
General and Administrative Costs	38.9	38.2	35.9	34.2	(3.9)	(10%)
Depreciation	7.9	8.0	8.1	8.2	+0.2	+3%
<b>Net Operating Income</b>	<b>(1.7)</b>	<b>81.2</b>	<b>170.8</b>	<b>114.1</b>	<b>+33.0</b>	<b>+41%</b>
Restructuring funds - independent valuation	-	(260.6)	-	-	+260.6	(100%)
Net Impairments and Provisions	149.1	194.5	61.8	27.4	(167.1)	(86%)
Credit	138.8	142.2	54.9	29.8	(112.4)	(79%)
Securities	2.1	(0.9)	0.9	15.1	+16.0	(1,850%)
Other Assets and Contingencies	8.2	53.2	6.0	(17.5)	(70.7)	(133%)
<b>Income before Taxes</b>	<b>(150.9)</b>	<b>(373.9)</b>	<b>109.0</b>	<b>86.7</b>	<b>+460.6</b>	<b>(123%)</b>
Corporate Income Tax	0.6	4.0	4.2	16.9	+12.9	+325%
Special Tax on Banks	27.5	(0.1)	32.8	1.5	+1.5	(1,870%)
<b>Income after Taxes</b>	<b>(179.0)</b>	<b>(377.8)</b>	<b>72.0</b>	<b>68.4</b>	<b>+446.2</b>	<b>(118%)</b>
Non-Controlling Interests	0.1	(1.6)	1.3	1.4	+3.0	(187%)
<b>Net Income for the period</b>	<b>(179.1)</b>	<b>(376.2)</b>	<b>70.7</b>	<b>67.0</b>	<b>+443.2</b>	<b>(118%)</b>



# NOVO BANCO Consolidated Balance Sheet

<i>(€ thousands)</i>	<i>Dec-20</i>	<i>Jun-21</i>
Cash, cash balances at central banks and other demand deposits	2,695,459	4,897,885
Financial assets held for trading	655,273	372,135
Financial assets mandatorily at fair value through profit or loss	960,962	923,298
Financial assets at fair value through profit or loss, or through other comprehensive income	7,907,587	7,717,445
Financial assets at amortised cost	25,898,046	25,956,767
Debt securities	2,229,947	2,399,431
Loans and advances to credit institutions	113,795	86,900
Loans and advances to customers	23,554,304	23,470,436
Derivatives – Hedge accounting	12,972	14,756
Fair value changes to the hedged items in portfolio hedge of interest rate risk	63,859	40,171
Investments in subsidiaries, joint ventures and associates	93,630	86,393
Tangible assets	779,657	789,825
Tangible fixed assets	187,052	198,663
Investment properties	592,605	591,162
Intangible assets	48,833	53,895
Tax assets	775,498	673,545
Current tax assets	610	610
Deferred tax assets	774,888	672,935
Other assets	2,944,292	2,921,067
Non-current assets and disposal groups classified as held for sale	1,559,518	1,439,924
<b>Total Assets</b>	<b>44,395,586</b>	<b>45,887,106</b>

	<i>Dec-20</i>	<i>Jun-21</i>
Financial liabilities held for trading	554,791	418,523
Financial liabilities measured at amortised cost	37,808,767	39,194,843
Due to banks	10,102,896	10,518,880
Due to customers	26,322,060	27,199,223
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1,017,928	1,035,532
Other financial liabilities	365,883	441,208
Derivatives – Hedge accounting	12,972	14,756
Provisions	384,382	322,887
Tax liabilities	14,324	15,014
Current tax liabilities	9,203	10,585
Deferred tax liabilities	5,121	4,429
Other liabilities	417,762	523,669
Liabilities included in disposal groups classified as held for sale	1,996,382	2,121,016
<b>Total Liabilities</b>	<b>41,248,951</b>	<b>42,648,301</b>
Capital	5,900,000	5,900,000
Other comprehensive income – accumulated	-823,420	-964,669
Retained earnings	-7,202,828	-8,577,074
Other reserves	6,570,153	6,711,831
Profit or loss attributable to parent company shareholders	-1,329,317	137,707
Minority interests (Non-controlling interests)	32,047	31,010
<b>Total Equity</b>	<b>3,146,635</b>	<b>3,238,805</b>
<b>Total Liabilities and Equity</b>	<b>44,395,586</b>	<b>45,887,106</b>

# NOVO BANCO Consolidated

## Customer Loans

€mn	Jun-20 <i>Pro-forma</i>	Dec-20	Jun-21	YTD ▲ Consolidated	
	Consolidated	Consolidated	Consolidated	€mn	%
<b>Customer Loans (net)</b>	23 874	23 617	23 512	- 105	-0.4%
<b>Customer Loans (gross)</b>	25 696	25 217	24 986	- 231	-0.9%
Corporate	14 295	13 873	13 694	- 180	-1.3%
Residential Mortgage	10 064	10 010	9 926	- 85	-0.8%
Consumer finance and other	1 338	1 333	1 367	34	2.5%
<b>Non-Performing Loans (NPL)*</b>	3 007	2 498	2 209	- 288	-11.5%
<b>Impairment</b>	1 823	1 600	1 474	- 125	-7.8%
<b>NPL Ratio*</b>	10.4%	8.9%	7.3%	- 2p.p.	
<b>NPL coverage*</b>	63.2%	74.1%	78.4%	4p.p.	
<b>Specific impairment coverage ratio</b>	58%	56%	56%	-	
<b>Cost of Risk (bps)</b>	219	208	68	- 140	-67.4%
<b>Cost of Risk (bps) - Covid Adjusted</b>	111	121	40	- 82	-67.3%

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

# NOVO BANCO Consolidated Capital Ratios

		mn€			
CAPITAL RATIOS (CRD IV/CRR)		31-Dec-20	31-Dec-20	30-Jun-21 *	30-Jun-21 *
		(Phased-in)	(Fully loaded)	(Phased-in)	(Fully loaded)
Risk Weighted Assets	(A)	26 689	26 392	27 348	27 025
Own Funds					
Common Equity Tier 1	(B)	2 902	2 511	2 981	2 630
Tier 1	(C)	2 903	2 512	2 982	2 631
Total Own Funds	(D)	3 415	3 023	3 496	3 145
<b>Common Equity Tier 1 Ratio</b>	<b>(B/A)</b>	10.9%	9.5%	10.9%	9.7%
Tier 1 Ratio	(C/A)	10.9%	9.5%	10.9%	9.7%
<b>Solvency Ratio</b>	<b>(D/A)</b>	12.8%	11.5%	12.8%	11.6%
Leverage Ratio		6.2%	5.4%	6.2%	5.4%

\* preliminary

There are the following differences with the Resolution Fund subject to arbitration:

Transition from the transitional regime of IFRS9, in its static option, to the full application of that standard, with the submission of a dispute to arbitration before the International Chamber of Commerce, in accordance with the CCA rules, due to the impact of that change on the calculation of the amount due by the Resolution Fund under the CCA in financial year 2019. Within this scope, it was agreed that NOVO BANCO would not proceed with the full application of IFRS9, remaining under the transitional regime until the conclusion of the arbitration proceedings. If the arbitral tribunal's decision is in favour of NOVO BANCO, the Resolution Fund shall pay the amount corresponding to the amount for the fully implemented IFRS 9, provided that the maximum amount of the CCA is not exceeded. The arbitration proceedings are ongoing and a decision by the arbitral court is expected by 4Q21

The application by the Bank, at the end of 2020, of the dynamic option of the transitional regime of IFRS 9.

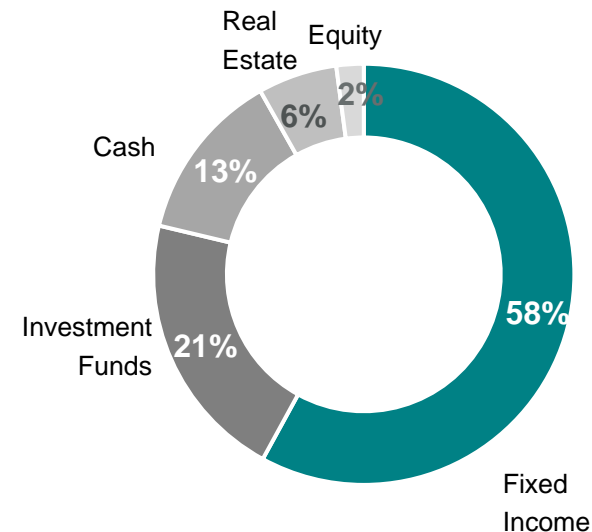
# NOVO BANCO Consolidated Pension Funds

Key Figures (€ Millions)	Dec-19	Dec-20	Jun-21
Retirement Pension Liabilities	1 849	1 935	1,933
Fund Assets	1 791	1 908	1,858
<b>Liabilities Coverage</b>	<b>97%</b>	<b>99%</b>	<b>96%</b>
Fund Performance		2.4%	-1.0%

Actuarial Assumptions	Dec-19	Dec-20	Jun-21
Project rate of return on plan assets	1.35%	1.00%	1.00%
Discount rate	1.35%	1.00%	1.00%
Pension increase rate	0.25%	0.25%	0.25%
Salary increase rate	0.50%	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 Separate

## Sustainability metrics



	Jun-20	Jun-21
<b>Social Indicators</b>		
Employees (#)	4,300	4,185
Training hours	69,320	1,693
Turnover <sup>1</sup>	2.4%	2.4%
Woman employment rate	52.4%	53.9%
Woman in leadership roles rate	37.2%	38.3%
Woman senior leaders' roles rate	32.3%	28.6%
Pay Gap (%)	10.4%	9.8%
<b>Environmental Indicators</b>		
ESG structured products issued (#; in period)	5	1
ESG structured products subscriptions (#; in period)	2,553	727
ESG structured products subscriptions (#; cumulative amount)	6,604	13,505
Clients who subscribed ESG structured products (#; in period)	2,410	723
Clients who subscribed ESG structured products (#; cumulative amount)	7,363	10,477
Total ESG structured products subscriptions (in period; € million)	60	16
Total ESG structured products subscriptions (cumulative; € million)	148	306
CO2 Emissions from electricity consumption (tCO2e)	3,104	1,632
Active digital customers (#; thousand)	577	619
<b>Governance Indicators</b>		
Account monitoring – alerts generated (#)	5,754	6,567
Communication to the authorities (#)	457	372
Account opening scoring Investigation (#)	1,567	2,399
Participation Entry scoring Investigation (#)	321	1,228
Account opening rejected with scoring Investigation (#)	57	20
<b>Economic – Community Indicators</b>		
Planned savings/"Poupança programada" (# of clients)	270,352	175,441
Planned savings/"Poupança programada" (€ million)	1,149	917
Minimum Banking Services Account (# of accounts)	9,401	10,261
Suppliers with sustainability scoring (#)	298	303
Very satisfied/satisfied clients with service quality (Retail; %)	96.6%	96.0%
Very satisfied/satisfied clients with service quality (SME; %)	98.3%	98.3%
Donations (€ million)	0.31	0.8
Direct economic value generated (€ million)	405	212.9
Economic value distributed (€ million)	194	88.1
Economic value retained (€ million)	211	124.8

# NOVO BANCO Consolidated

## Senior Unsecured Debt rated as Caa2 and B (high) by Moodys and DBRS

October 2020

MOODY'S	Long Term	Short Term
Baseline credit assessment (BCA)	caa1	
Adjusted baseline credit assessment (BCA)	caa1	
Counterparty risk rating	B1	NP
Counterparty risk assessment	B1 (cr)	NP (cr)
Deposits	B2 Outlook Stable	NP
Senior unsecured debt	Caa2 Outlook Stable	
Subordinated debt	Caa2	

April 2021

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

# Glossary (1/3)

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

## Glossary (2/3)

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



## Glossary (3/3)

Designations & abbreviations	
<b>NB</b>	NOVO BANCO
<b>NBG</b>	NOVO BANCO Group
<b>YTD</b>	Year-to-date
<b>YoY</b>	Year-on-Year
<b>ECB</b>	European Central Bank
<b>QE</b>	Quantitative Easing
<b>CRD IV</b>	Capital Requirements Directive 2013
<b>CRR</b>	Capital Requirements Regulation
<b>NIM</b>	Net Interest Margin
<b>€, EUR</b>	euro
<b>€mn</b>	millions of euro
<b>€bn</b>	billions of euro
<b>€k</b>	thousands of euro
<b>bps</b>	basis points
<b>p.p.</b>	percentage points
<b>tCO<sub>2</sub>e</b>	tonnes of carbon dioxide equivalent
<b>RWA</b>	Risk weighted assets



## Investor Relations

website [www.novobanco.pt](http://www.novobanco.pt)

phone (+351) 213 597 390

email [investor.relations@novobanco.pt](mailto:investor.relations@novobanco.pt)