



# Results Presentation 2019

Unaudited financial information

28 February 2020



# Agenda



Restructuring Project



2019 Highlights



Results and Activity in 2019



Capital



Appendix



# Restructuring Project (2017 – 2019)

## Main goals achieved

Separation between Legacy and Recurrent in order to ensure accountability in the viability of recurring activity and in reducing Legacy

**Focus on obtaining positive results in the Management of the Recurrent Bank:**

**Growth of the Recurrent Bank's Income before Tax from -€311.4mn in 2017 to €175mn in 2019**

**Growth in the customer loans portfolio of €1,962mn in the Recurrent Bank from 2017 to 2019**

**Priority to Legacy de-risking in order to achieve the objectives agreed between Portugal and the European Union with the reduction of Legacy by €10.2bn:**

**10 operations abroad sold or closed, of which:**

- **Sales:** Venezuela Branch, Banco Intl Cabo Verde, BES Vénétie, GNB Seguros, GNB Vida, NB Ásia
- **Closures:** SFE Madeira, London Branch

**€6,684mn of non-performing loans reduction:**

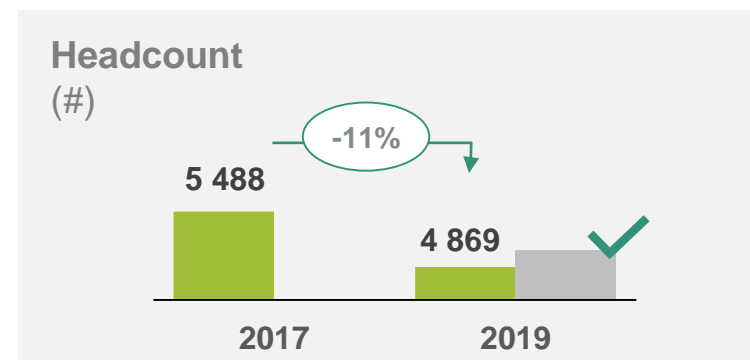
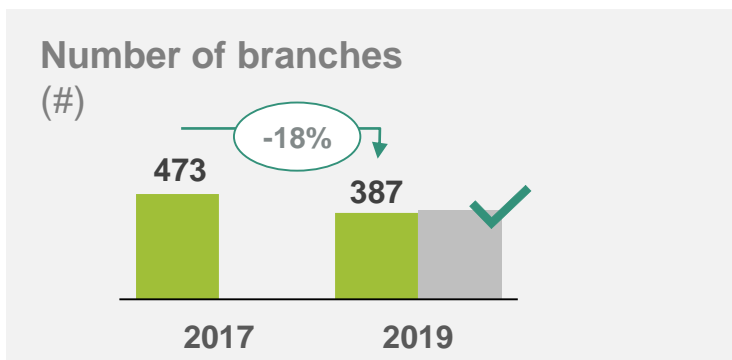
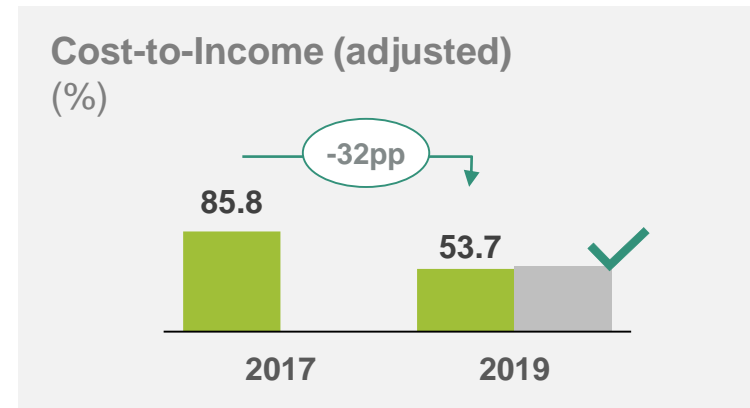
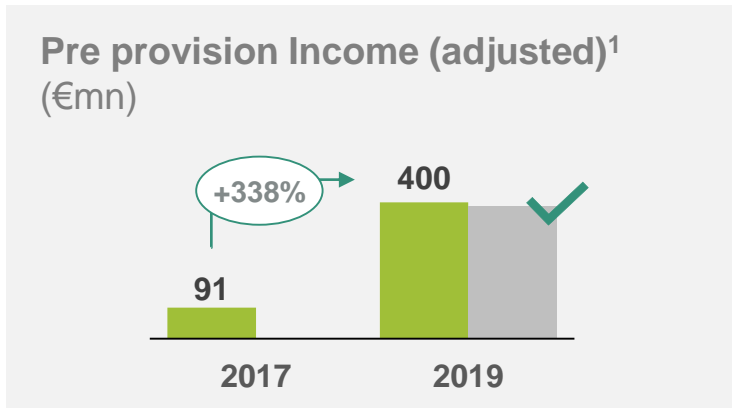
- Operation Nata I, Operation Nata II and Project Albatros (non-performing loans in Spain)
- Single name restructurings and sales

**€1,277mn of non-yielding real estate assets sold:**

- Project Sertórius, Project Viriato, and Projecto Albatros (non-yielding real estate assets in Spain).
- Regular single name sales



# Novo Banco showed an undeniable capacity to fulfill the structural, behavioral and viability commitments imposed on it at this stage of its restructuring

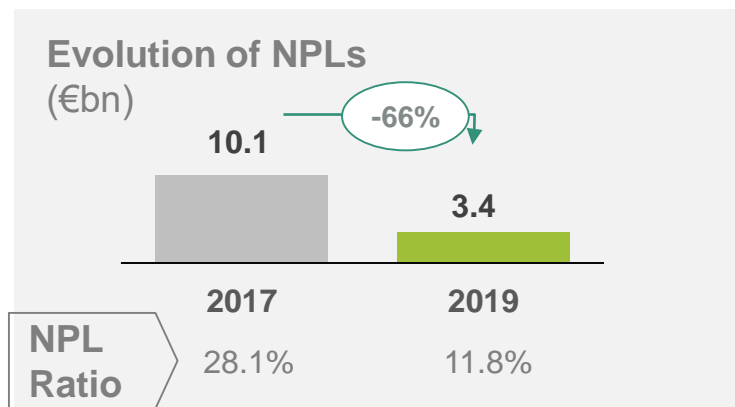
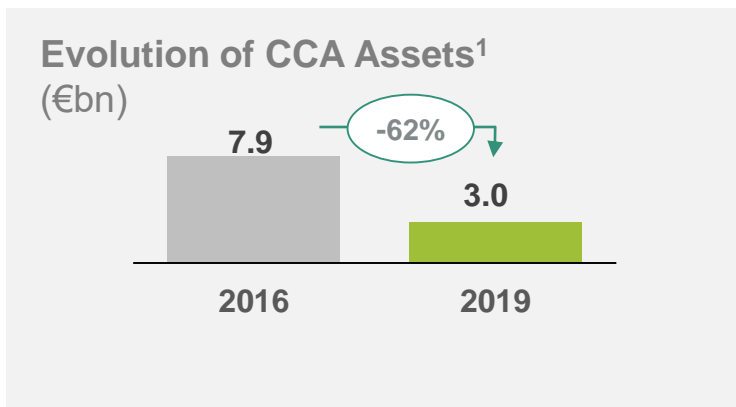
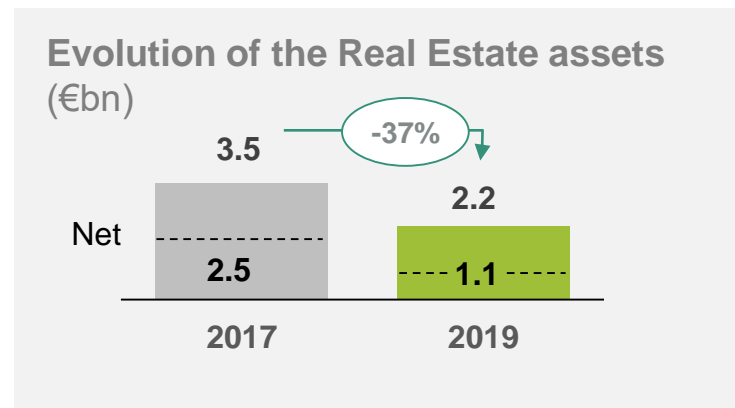
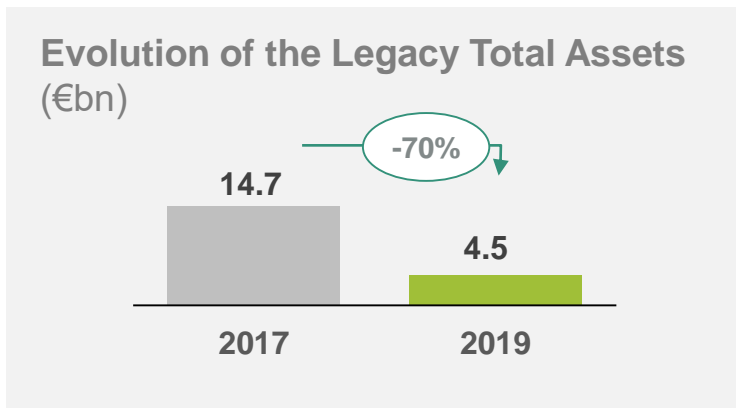


Actual DGCOMP Commitment % YoY

<sup>1</sup>) Adjusted Commercial Banking Income less Operating Costs



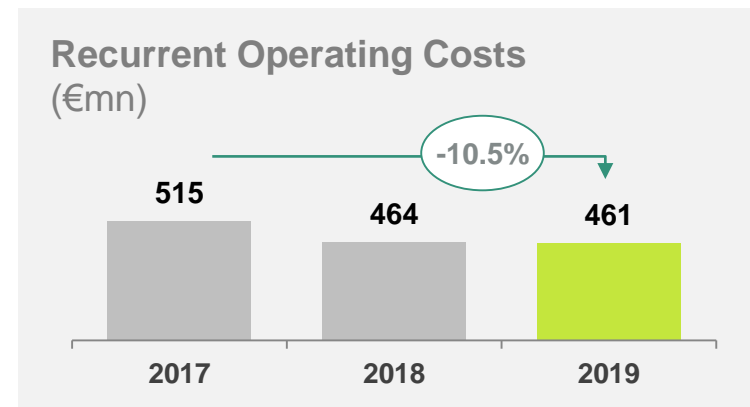
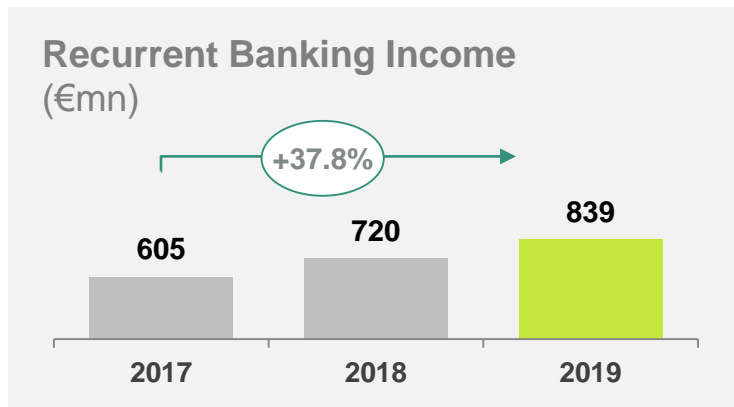
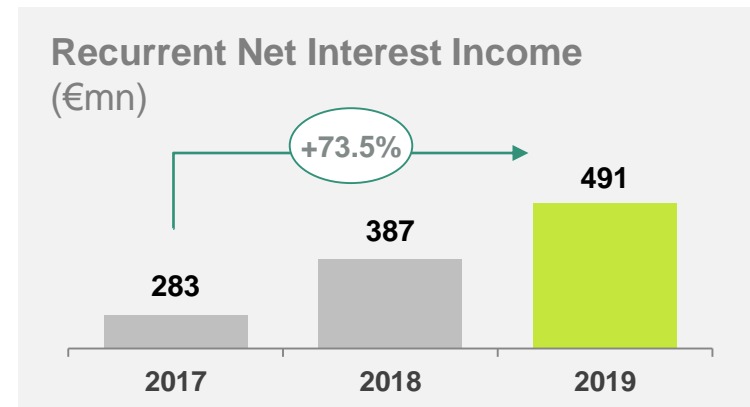
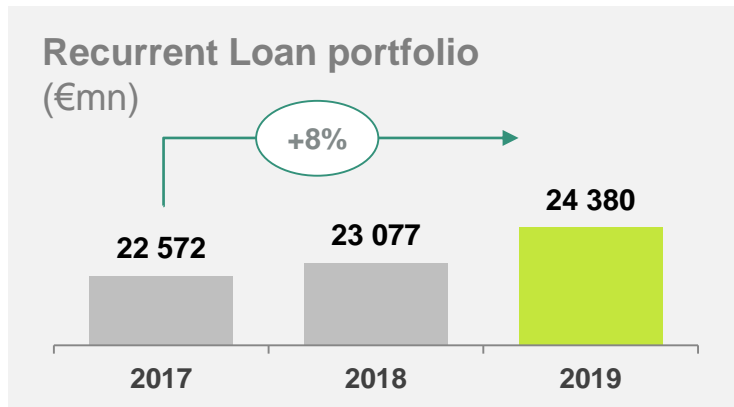
# During this period it was possible to de-risk the Balance Sheet, reducing non-core activity, the Legacy and problematic assets



<sup>1</sup> Estimate



At the same time, the Bank adjusted its business model, clearly improving its performance, growing in support of the economy and significantly reducing costs



# Agenda



Restructuring Project



**2019 Highlights**



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Capital



Appendix



# 2019 Highlights

- **Growth of recurrent loan volumes (+5.6%; +€1,303mn)**
  - Loans to Corporate +3.8%; Residential Mortgage +8.3%; Consumer and other +4.2%
- **Stable deposits and increase in total customer funds (+0.8%; +€262mn)**
- **Progress to sustainable profitability**
  - Recurrent net income +€177.6mn
  - Income before taxes increased from +€2.2mn in 2018 to +€175.3mn in 2019
  - Recurrent commercial banking income grew to +€811.9mn (+16,6%) in the year, with the recurrent net interest margin and fees and commissions showing a growth of +26.9% and +3.7%, respectively
- **Continued focus on cost control while investing in the core business and in Digital transformation**
  - Recurrent operating costs decreasing -0.8% to €460.8mn (Dec.18: €464.3mn)
- **Marked reduction in non-performing loans, in line with the defined strategy**
  - Reduction of non-performing loans -€3,308mn from €6,739mn to €3,430mn, (reduction of -€6,700mn comparing to Dec.17), reflecting a NPL ratio decrease of circa 58% from 28.1% in Dec.17 to 11.8% in Dec.19. Recurrent NPL ratio of 3.6% (Dec/18: 5.4%)
- **Reduction of legacy assets**
  - Reduction of legacy assets by 57.9% (-€6,176mn), across all asset categories. The sale of GNB Vida's share capital contributed -€4,076mn to this reduction



# Agenda



Restructuring Project



2019 Highlights



Results and Activity in 2019



Capital



Appendix



# NOVO BANCO Recurrent

## Net Income amounts to €177.6mn

mn€

- **Positive Net Income of +€177.6mn**, an increase of +€254.8mn compared to the same period of the previous year.
- Main highlights:
  - **Growth of Net Interest Income** (+€104.0mn; +26.9%);
  - **Increase of fees and commissions** (+€11.5mn; +3.7%);
  - **Growth of capital markets results** (+€41.8mn);
  - **Reduction in impairments and provisions** (-€51.0mn; -20.1%);
  - **Income before taxes increased from +€2.2mn in 2018 to +€175.3mn in 2019.**

Income Statement	Dec-18	Dec-19	Change	
			absolute	%
Net Interest Income	387.2	491.2	104.0	26.9%
+ Fees and Commissions	309.2	320.7	11.5	3.7%
<b>= Commercial Banking Income</b>	<b>696.4</b>	<b>811.9</b>	<b>115.5</b>	<b>16.6%</b>
+ Capital Markets Results	30.4	72.2	41.8	...
+ Other Operating Results	- 6.6	- 45.5	- 38.9	...
<b>= Banking Income</b>	<b>720.1</b>	<b>838.6</b>	<b>118.5</b>	<b>16.5%</b>
- Operating Costs	464.3	460.8	- 3.5	-0.8%
<b>= Net Operating Income</b>	<b>255.8</b>	<b>377.8</b>	<b>122.0</b>	<b>47.7%</b>
- <b>Net Impairments and Provisions</b>	<b>253.6</b>	<b>202.5</b>	<b>- 51.0</b>	<b>-20.1%</b>
Credit	39.6	222.4	182.9	...
Securities	12.4	3.5	- 8.9	- 71.8
Other Assets and Contingencie	201.6	- 23.4	- 225.0	...
<b>= Income before Taxes</b>	<b>2.2</b>	<b>175.3</b>	<b>173.1</b>	<b>...</b>
- Tax and Bank Levy	74.8	-10.6	-85.4	...
<b>= Income after Taxes</b>	<b>- 72.6</b>	<b>185.8</b>	<b>258.4</b>	<b>...</b>
- Non-Controlling Interests	4.6	8.2	3.6	79.2%
<b>= Net Income for the year</b>	<b>- 77.2</b>	<b>177.6</b>	<b>254.8</b>	<b>...</b>

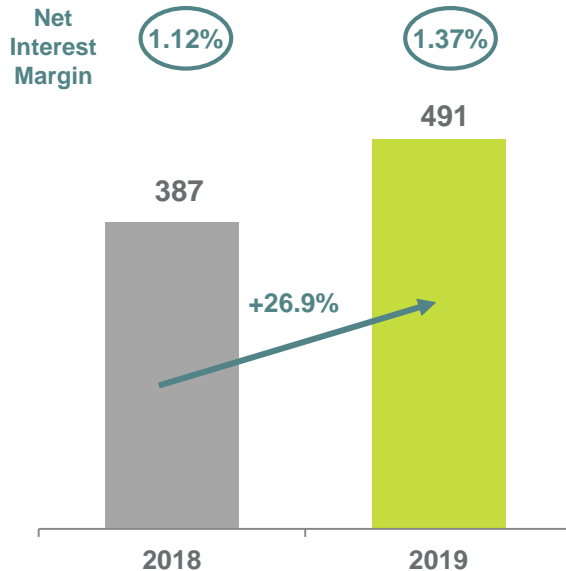


# NOVO BANCO Recurrent

## Net interest Income increases by 26.9% YoY

### Net Interest Income

(NII, €mn)



NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	Dec-18			Dec-19		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	34 147	1.83%	633	35 237	1.86%	666
Customer Loans	23 059	2.36%	551	23 902	2.24%	543
Other financial assets	11 088	0.73%	82	11 335	1.07%	123
Money Market Placements	2 221	-0.06%	- 1	1 056	0.01%	0
Securities and Other Assets	8 867	0.92%	83	10 279	1.18%	123
<b>INTEREST EARNING ASSETS AND OTHER</b>	<b>34 147</b>	<b>1.83%</b>	<b>633</b>	<b>35 237</b>	<b>1.86%</b>	<b>666</b>
<b>INTEREST BEARING LIABILITIES AND OTHER</b>	<b>34 147</b>	<b>0.69%</b>	<b>238</b>	<b>35 237</b>	<b>0.48%</b>	<b>172</b>
<b>NIM /NII</b> (without stage 3 impairment adjustment)		<b>1.14%</b>	<b>395</b>		<b>1.38%</b>	<b>494</b>
<b>Stage 3 impairment</b>			<b>- 8</b>			<b>- 3</b>
<b>NIM / NII</b>		<b>1.12%</b>	<b>387</b>		<b>1.37%</b>	<b>491</b>

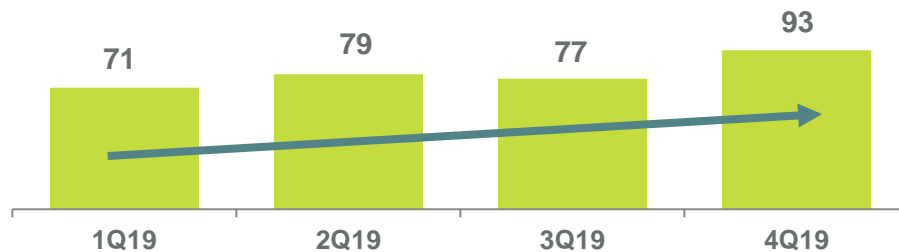
- NII increased by +€104mn, to €491mn (+26.9%), benefiting from the positive contribution of the optimisation measures implemented in 2018, and the expansion of the loan volumes (corporate, residential mortgage and consumer) and continued focus on pricing policy.



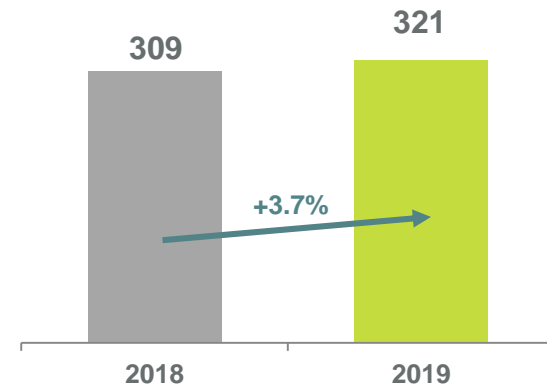
# NOVO BANCO Recurrent

## Fees and Commissions increases by 3.7%

Quarterly change (€mn)



Annual change (€mn)



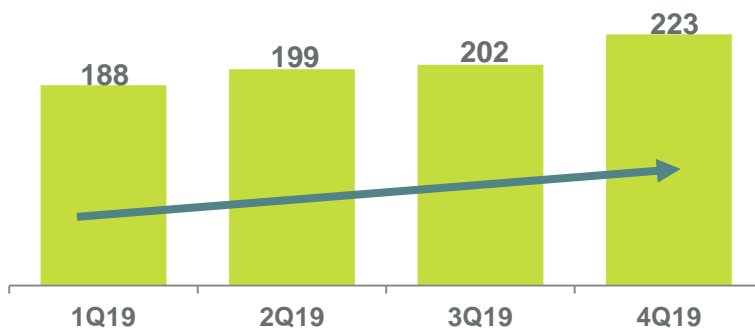
- Fees and Commissions contributed +€321mn, +3.7% compared with 2018 (+€309mn).
  - Fees and commissions related to payments management, and loans and guarantees, were relatively stable despite the pressure imposed by the strong competition environment that has characterised banking activity.
  - The bancassurance and asset management continued to deliver good results.



# NOVO BANCO Recurrent

## Commercial Operating Income grew in all quarters Net Operating Income increases 47.7% YoY

Commercial Operating Income  
(€mn)



\* Commercial Banking Income less Operating Costs. \*\* Operating Costs / Banking Income. \*\*\* Operating Costs / Commercial Banking Income.

	2018	2019	Change	
			absolute	%
<b>Commercial Banking Income</b>	<b>696.4</b>	<b>811.9</b>	115.5	16.6%
+ Capital Markets Results	30.4	72.2	41.8	...
+ Other Operating Results	- 6.6	- 45.5	- 38.9	...
<b>= Banking Income</b>	<b>720.1</b>	<b>838.6</b>	118.5	16.5%
- Operating Costs	464.3	460.8	- 3.5	-0.8%
<b>= Net Operating Income</b>	<b>255.8</b>	<b>377.8</b>	122.0	47.7%
<b>Core Operating Income*</b>	<b>232.0</b>	<b>351.1</b>	<b>119.0</b>	<b>51.3%</b>
Cost to Income**	64.5%	54.9%	- 9.5 p.p.	
Commercial Cost to Income***	66.7%	56.8%	- 9.9 p.p.	

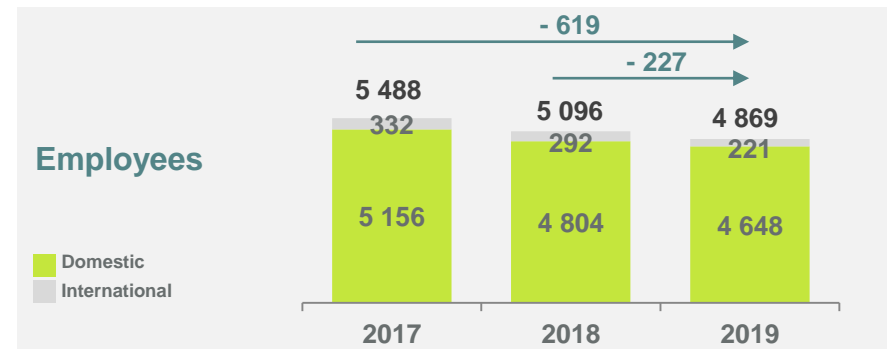
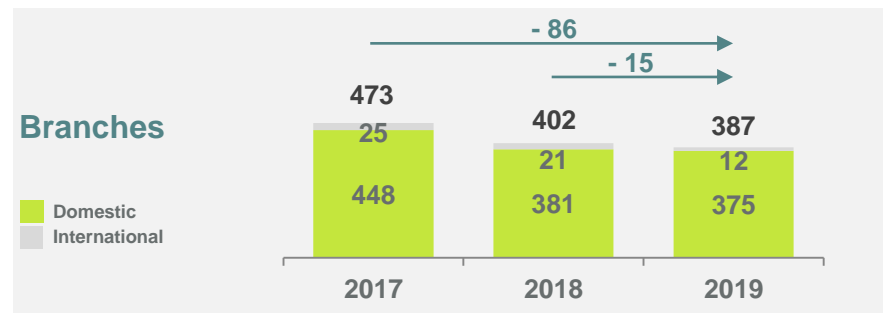
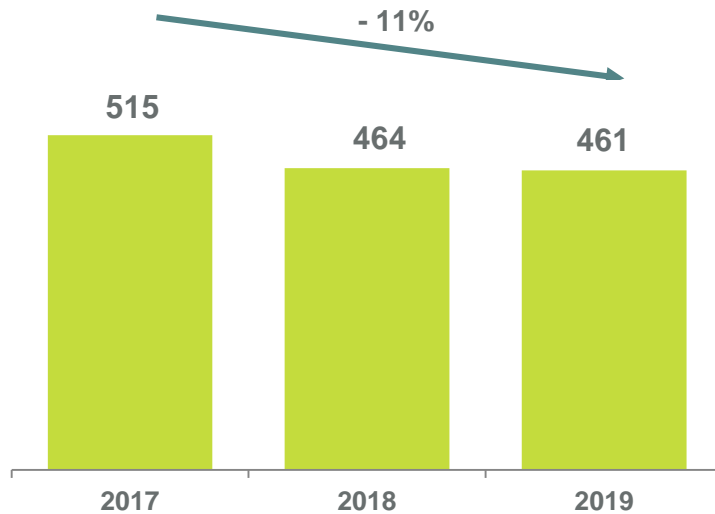
- Recurrent commercial banking income grew +16.6% YoY with a growth in all quarters.
- Operating costs totalled €461mn, a decrease of -0.8% YoY, that reflects the investment in the core business and in the digital transformation, as well as continued cost control.
- Operating income was up by €122mn YoY, +47.7%, reaching €378mn.
- Cost to income decreases 9.5pp to 54.9%.



# NOVO BANCO Recurrent

**Operating Costs with a reduction of -0.8% in 2019 reflecting the restructuring implemented**

**Operating Costs**  
(€mn)



- Downsizing of the distribution network.
- Simplification of organisational structure and processes.
- With the consequent reduction in headcount.



# NOVO BANCO Recurrent

## Assets increased by 8.5% in 2019

			€mn	
	Dec-18	Dec-19	Change	
			absolute	%
Customer loans (net)	22 465	23 735	1 270	5.7%
Real estate	374	307	- 67	-18.0%
Other assets	14 777	16 772	1 995	13.5%
<b>Total Net Assets</b>	<b>37 616</b>	<b>40 814</b>	<b>3 198</b>	<b>8.5%</b>
<b>Total Liabilities and Equity</b>	<b>37 616</b>	<b>40 814</b>	<b>3 198</b>	<b>8.5%</b>

- NOVO BANCO Recurrent assets increased by €3,198mn (+8.5%) with net customer loans growing by 5.7% (+€1,270mn) building on the positive trend achieved in the third quarter of 2019 (+4.0%: +€895mn), with increases in both individual and corporate loan portfolios.

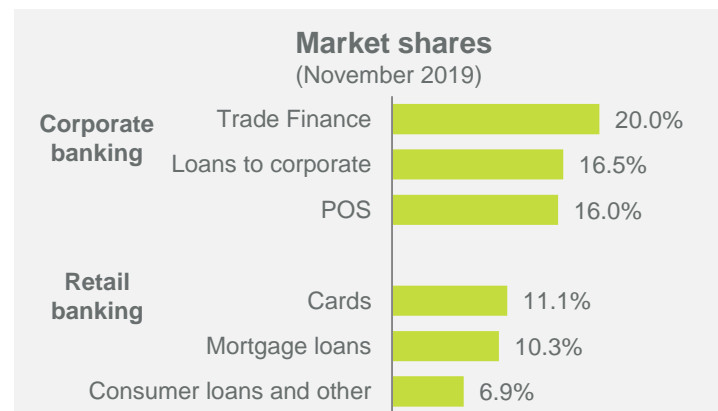


# NOVO BANCO Recurrent

## Customer loans (gross) increased by 5.6% in 2019



CUSTOMER LOANS	Dec-18	Dec-19	Change	
			absolute	%
<b>Customer Loans (gross)</b>	<b>23 077</b>	<b>24 380</b>	<b>1 303</b>	<b>5.6%</b>
Corporate	12 447	12 925	478	3.8%
Residential Mortgage	9 329	10 100	770	8.3%
Consumer finance and other	1 301	1 355	55	4.2%
<b>Non-Performing Loans (NPL)*</b>	<b>1 309</b>	<b>946</b>	<b>- 363</b>	<b>-27.8%</b>
<b>Impairment</b>	<b>612</b>	<b>645</b>	<b>33</b>	<b>5.3%</b>
<b>NPL Ratio*</b>	<b>5.4%</b>	<b>3.6%</b>	<b>-1.8 p.p.</b>	<b>...</b>
<b>NPL coverage*</b>	<b>46.8%</b>	<b>68.3%</b>	<b>21.5 p.p.</b>	<b>...</b>
<b>Cost of Risk (bps)</b>	<b>17</b>	<b>91</b>	<b>74</b>	<b>...</b>



### ■ Growth of recurrent loan volumes +5.6%:

Corporate +3.8%; Residential Mortgage +8.3%; Consumer and other +4.2%;

- **continued support to domestic companies**, across all economic sectors (including industry, retail, real estate activities and tourism, and services), with a special focus on SMEs;
- in a competitive market in retail and corporate banking,
- and continued focus on pricing policy.





# NOVO BANCO *Legacy*

## Income Statement reflects the medium-term strategy of deleverage of Legacy assets

Income Statement	€mn			
	Dec-18	Dec-19	Change	
			absolute	%
Net Interest Income	67.2	49.4	- 17.8	-26.4%
+ Fees and Commissions	4.6	2.7	- 1.9	-40.8%
<b>= Commercial Banking Income</b>	<b>71.8</b>	<b>52.2</b>	<b>- 19.6</b>	<b>-27.4%</b>
+ Capital Markets Results	- 70.7	- 269.0	- 198.3	...
+ Other Operating Results	- 237.0	- 201.5	35.6	-15.0%
<b>= Banking Income</b>	<b>-235.9</b>	<b>-418.3</b>	<b>-182.4</b>	<b>-77.3%</b>
- Operating Costs	22.9	17.7	-5.3	-22.9%
<b>= Net Operating Income</b>	<b>-258.8</b>	<b>-436.0</b>	<b>-177.2</b>	<b>-68.5%</b>
- <b>Net Impairments and Provisions</b>	<b>456.4</b>	<b>732.9</b>	<b>276.5</b>	<b>60.6%</b>
Credit	223.9	405.1	181.1	80.9%
Securities	0.9	- 3.7	- 4.6	...
Other Assets and Contingencies	231.5	331.5	100.0	43.2%
<b>= Income before Taxes</b>	<b>- 715.2</b>	<b>-1 168.9</b>	<b>- 453.7</b>	<b>-63.4%</b>
- Tax and Bank Levy	620.2	83.4	- 536.8	-86.5%
<b>= Income after Taxes</b>	<b>-1 335.4</b>	<b>-1 252.3</b>	<b>83.1</b>	<b>-6.2%</b>
- Non-Controlling Interests	0.1	- 15.9	- 16.0	...
<b>= Net Income for the year</b>	<b>-1 335.5</b>	<b>-1 236.4</b>	<b>99.1</b>	<b>7.4%</b>

- In line with the medium-term strategy of deleverage of legacy assets, NOVO BANCO Legacy reported a loss of -€1,236.4mn, which includes losses related to the sale and devaluation of assets (project Sertorius - sale of real estate; project Albatros - sale of real estate and non-performing loans in Spain; project NATA II - sale of non-performing loans and related assets; and due to sale of insurer GNB Vida).



# NOVO BANCO *Legacy*

## Legacy assets decreased by 57.9% in 2019

	€mn			
	Dec-18	Dec-19	Change	
			absolute	%
Customer loans (net)	2 289	1 467	- 822	-35.9%
Real estate	1 661	829	- 832	-50.1%
Other assets	6 708	2 186	-4 522	-67.4%
<b>Total Net Assets</b>	<b>10 658</b>	<b>4 482</b>	<b>-6 176</b>	<b>-57.9%</b>
<b>Total Liabilities and Equity</b>	<b>10 658</b>	<b>4 482</b>	<b>-6 176</b>	<b>-57.9%</b>

- **Legacy assets decreased by 57.9% compared to December 2018.** This was underpinned by reductions in the net loan book of circa -€822mn (-35.9%), in real estate assets amounting to -€832mn (-50.1%) and in other assets in -€4,522mn (-67.4%), of which -€4,076mn due to the sale of the insurer GNB Vida.



# NOVO BANCO combined

## 2019 Consolidated Results

- Net loss of -€1,058.8mn in 2019, reflecting the combined effect of a -€1,236.4mn loss in the Legacy activity and a +€177.6mn gain in Recurrent activity.
- Losses related to the restructuring process and the deleverage of non-performing assets (projects Sertorius, Albatros, and NATA II), and the sale process of GNB Vida.
- Main highlights:**
  - Commercial Banking Income reached €864.1mn** (+12.5%), supported by increases in net interest income (+19.0%) and in fees and commissions (+3.1%);
  - Capital markets results were negative, at -€196.8mn**, reflecting the losses resulting from the Legacy activity (-€269.0mn);
  - Operating Costs decreased by 1.8%** to €478.5mn, underpinned by the improvements made in simplifying processes and streamlining the organisation.

INCOME STATEMENT	2018	2019	Change	
			absolute	%
			€mn	
Net Interest Income	454.3	540.6	86.3	19.0%
+ Fees and Commissions	313.9	323.5	9.6	3.1%
<b>= Commercial Banking Income</b>	<b>768.2</b>	<b>864.1</b>	<b>95.9</b>	<b>12.5%</b>
+ Capital Markets Results	- 40.3	- 196.8	- 156.5	...
+ Other Operating Results	- 243.7	- 247.0	- 3.3	-1.3%
<b>= Banking Income</b>	<b>484.2</b>	<b>420.3</b>	<b>- 63.9</b>	<b>-13.2%</b>
- Operating Costs	487.3	478.5	- 8.8	-1.8%
<b>= Net Operating Income</b>	<b>- 3.0</b>	<b>- 58.2</b>	<b>- 55.1</b>	...
- Net Impairments and Provisions	710.0	935.4	225.5	31.8%
<b>= Income before Taxes</b>	<b>- 713.0</b>	<b>- 993.6</b>	<b>- 280.6</b>	<b>-39.4%</b>
- Tax and Bank Levy	695.0	72.9	- 622.1	-89.5%
- Non-Controlling Interests	4.7	- 7.7	- 12.3	...
<b>= Net Income for the year</b>	<b>-1 412.6</b>	<b>-1 058.8</b>	<b>353.8</b>	<b>25.0%</b>

Note: NOVO BANCO consolidated data.

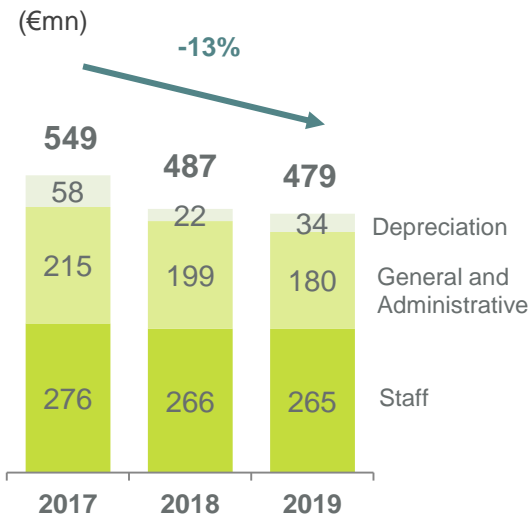
\* Commercial Banking Income minus Operating Costs.



# NOVO BANCO Combined

## Operating Costs

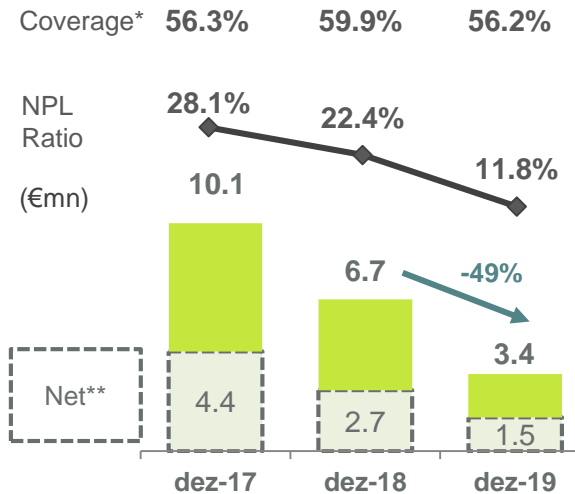
Reduction of -1.8% vs. 2018 reflecting the restructuring



- Simplification of organisational structure and processes, with the consequente reduction of headcount.

## NPLs Evolution

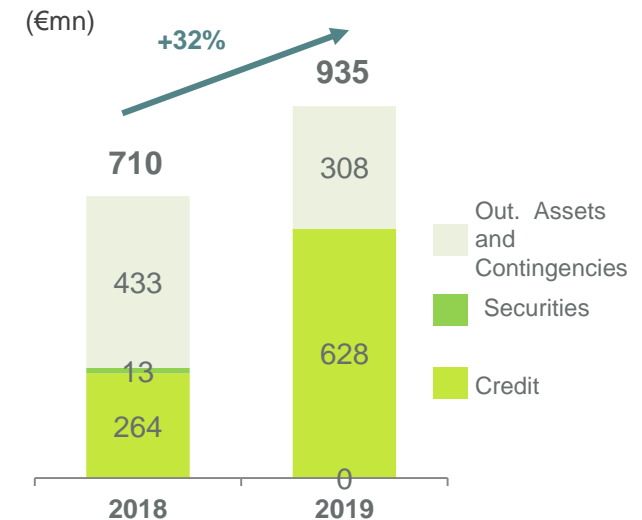
Marked reduction in line with the defined strategy



- Reduction of NPLs in -€3.3bn, resulting in a decrease of the NPL ratio from 22.4% to 11.8%.
- NPL ratio of the Recurrent activity reached 3.6%, with a coverage by impairments of 68.3%.

## Increase of Provisions

78% of the reinforcement relates to Legacy



- €733mn relates to Legacy (78%).
- Provision for other assets and contingencies of €308mn, includes €178mn related to processes for the sale of non-performing assets and discontinued operations.



# NOVO BANCO combined

## Consolidated Balance Sheet

- Net customer loans growth by 1.7% in 2019, with a growth of 5.7% in the Recurrent activity.
- Significant reduction of non current assets and held for sale (-€4,052mn), highlighting the sale of the insurer GNB Vida.
- Real estate decreased -€899mn (-44.2%).
- Due to customers (61.5% of Total Funding) decreased slightly by 1%, while NOVO BANCO pursued its policy of lowering the price of the deposits.
- In 2019, off-balance sheet funds increased by 12.3% YoY to €4,925mn.

€mn

Assets	Dec-18	Dec-19	YtD Change	
			absolute	%
Loans and advances to banks	1 401	2 223	823	58.7%
Customer loans	24 721	25 150	429	1.7%
Securities portfolio	10 875	12 042	1 167	10.7%
Non-current assets held for sale	4 092	40	-4 052	...
Real Estate	2 035	1 136	- 899	-44.2%
Current and deferred tax assets	1 203	900	- 303	-25.2%
Other assets	3 948	3 805	- 143	-3.6%
<b>Total Assets</b>	<b>48 274</b>	<b>45 296</b>	<b>-2 978</b>	<b>-6.2%</b>
Liabilities and Equity	Dec-18	Dec-19	YtD Change	
			absolute	%
Due to central banks and banks	8 356	9 850	1 494	17.9%
Due to Customers	28 695	28 400	- 295	-1.0%
Debt securities	1 104	1 123	19	1.7%
Non-current liabilities held for sale	4 438	2	-4 436	...
Other liabilities	1 759	1 918	160	9.1%
<b>Total Liabilities</b>	<b>44 352</b>	<b>41 293</b>	<b>-3 058</b>	<b>-6.9%</b>
Equity	3 922	4 003	80	2.0%
<b>Total Liabilities and Equity</b>	<b>48 274</b>	<b>45 296</b>	<b>-2 978</b>	<b>-6.2%</b>

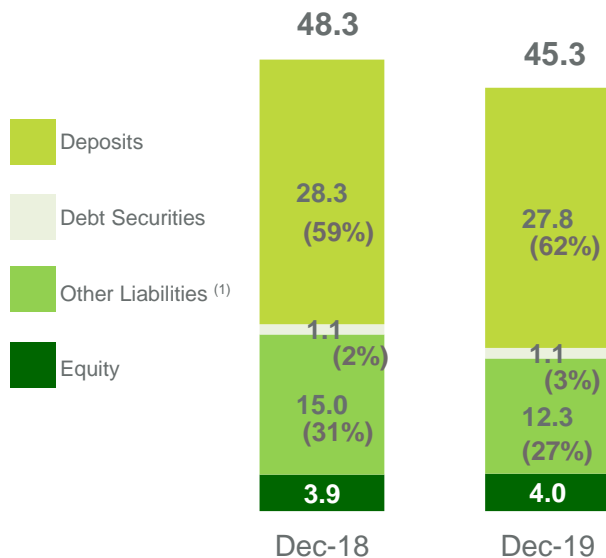


# NOVO BANCO combined

## Comfortable liquidity position

### Funding Structure

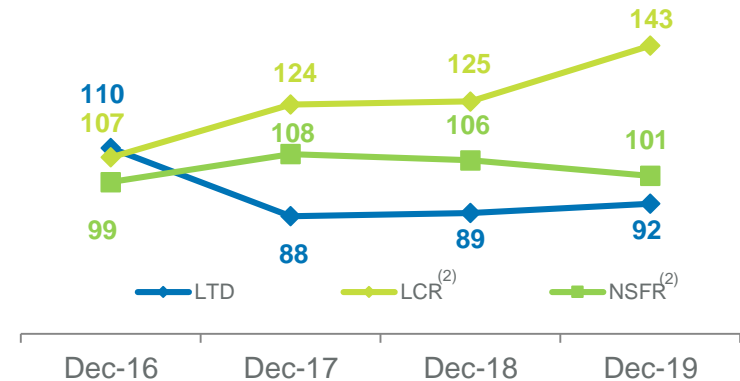
(€mn)



- Customer deposits remain the main source of balance sheet funding, accounting for 67.4% of total liabilities (excluding Equity) and 61.5% of total assets.

### Loan to Deposit Ratio and Liquidity Ratios <sup>(2)</sup>

(%)



### MREL requirements <sup>(3)</sup>:

- 17.61% of Total Liabilities and Own Funds.
- 26.01% of the Total Risk Exposure Amount.
- To comply until 31 December 2023.

<sup>(1)</sup> Includes ECB funding

<sup>(2)</sup> LCR: Liquidity Coverage Ratio; NSFR: Net Stable Funding Ratio.

<sup>(3)</sup> Minimum Requirement for own funds and Eligible Liabilities. Requirements set by the Single Resolution Board for NOVO BANCO using financial and supervisory information as of 31 December 2018.

# Agenda



Restructuring Project



2019 Highlights



Results and Activity in 2019



**Capital**

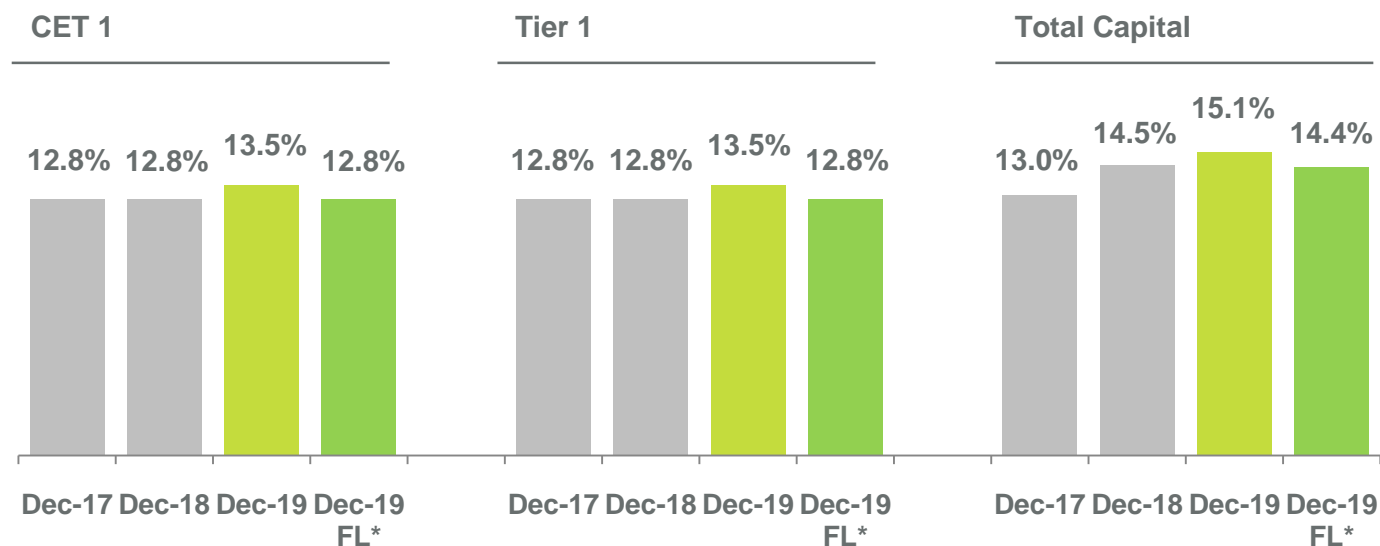


Appendix



# Capital Ratios

## Capital Ratios evolution



- As at 31 December 2019, NOVO BANCO complied with all capital ratios required by the European Central Bank (ECB) under the Supervisory Review and Evaluation Process (SREP).
- NOVO BANCO's Common Equity Tier 1 (CET1) and Tier 1 ratios are protected up to the amount of losses already recorded on the assets protected by the Contingent Capital Agreement.

Note: NOVO BANCO consolidated data.

\* Dec-19 FL: fully loaded ratios.





# Capital Ratios

## Supervisory Review and Evaluation Process (SREP)

The minimum own funds requirements to be complied with on a consolidated basis from 1 January 2020 calculated relative to the Total Risk Weighted Assets (RWA) are the following

Ratios	Ratios <i>phased-in</i> 31-Dec-2019	Ratios <i>fully loaded</i> 31-Dec-2019	Capital requirements for 2020 (SREP)			
			Total	Of which:		
				Pillar 1	Pillar 2	Buffers <sup>(1)</sup>
CET1	13.5%	12.8%	10.01%	4.50%	3.00%	2.51%
T1	13.5%	12.8%	11.51%	6.00%	3.00%	2.51%
Total Capital	15.1%	14.4%	13.51%	8.00%	3.00%	2.51%

<sup>(1)</sup> Includes:

- Capital Conservation Buffer of 2.5%.

- Counter Cyclical Buffer that is 0% in Portugal but is 0.01% for NOVO BANCO Group.

The Other Systemically Important Institutions Buffer of 0.375% for 2020 increasing to 0.50% in 2021 needs to be fulfilled only at the consolidated level (LSF Nani Investments S.à.r.l.).

- In the context of the ECB's Supervisory Review and Evaluation Process (SREP), the Pillar 2 requirement to apply from 1 January 2020 is 3.00% compared to the 3.25% required in 2019.



# Contingent Capital Agreement (CCA)

**NOVO BANCO will request a compensation of €1,037mn under the CCA considering the losses incurred on the protected assets and the regulatory requirements regarding capital ratios**

Losses incurred on the assets protected by the CCA total €3.6bn (estimated).

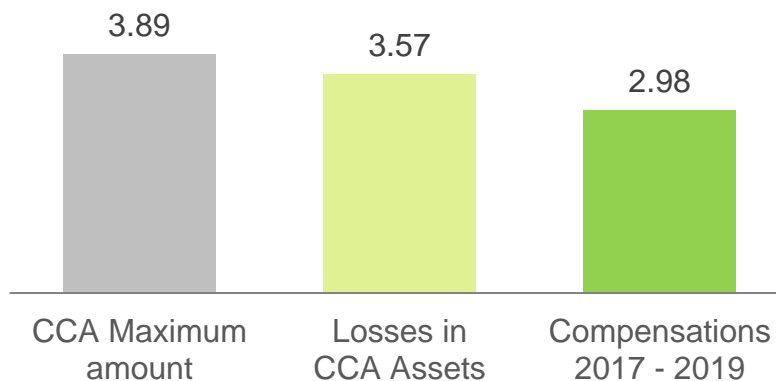
- Losses of -€1,236.4mn in the Legacy in 2019, reflect the *deleverage* process of Legacy loans and real estate;

The total amount of compensation requested in 2017 and 2018 and to be requested for 2019 total €2.98bn

- The maximum amount of compensation established in the CCA is €3.89bn.

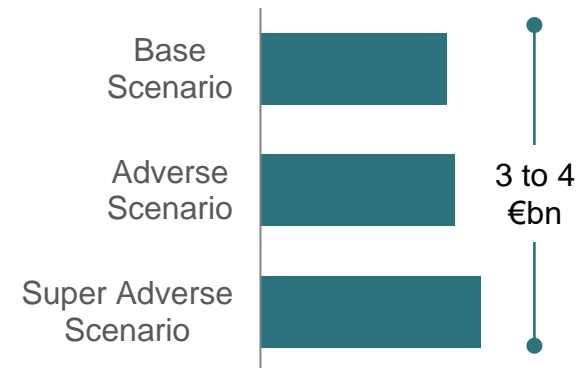
## Compensation amounts

€bn, estimated amounts



## DG COMP Estimates

€bn



# Agenda



Restructuring Project



2019 Highlights



Results and Activity in 2019



Capital



Appendix



# NOVO BANCO consolidated

## Balance Sheet

(€mn)	31 Dec.19	31 Dec.18	31 Dec.19	31 Dec.18
Cash, cash balances at central banks and other demand deposits	1,854	978		
Financial assets held for trading	749	844		
Financial assets mandatorily at fair value through profit or loss	1,315	1,566		
Financial assets at fair value through profit or loss, or through other comprehensive income	8,850	7,662		
Financial assets at amortised cost	27,141	26,533		
Debt securities	1,623	1,389		
Loans and advances to credit institutions	369	423		
Loans and advances to customers	25,150	24,721		
Derivatives – Hedge accounting	7	1		
Fair value changes to the hedged items in portfolio hedge of interest rate risk	53	34		
Investments in subsidiaries, joint ventures and associates	93	119		
Tangible assets	889	1,241		
Tangible fixed assets	188	142		
Investment properties	701	1,098		
Intangible assets	26	5		
Tax assets	900	1,203		
Current tax assets	2	7		
Deferred tax assets	898	1,197		
Other assets	3,378	3,996		
Non-current assets and disposal groups classified as held for sale	40	4,092		
<b>Total Assets</b>	<b>45,296</b>	<b>48,274</b>		
Financial liabilities held for trading			545	493
Financial liabilities designated at fair value through profit or loss			102	97
Financial liabilities measured at amortised cost			39,674	38,336
Due to banks			8,850	8,356
Due to customers			28,400	28,695
Debt securities issued and subordinated debt and liabilities associated with transferred assets			1,065	1,052
Other financial liabilities			359	234
Derivatives – Hedge accounting			59	36
Provisions			308	426
Tax liabilities			18	18
Current tax liabilities			12	12
Deferred tax liabilities			6	6
Other liabilities			586	507
Liabilities included in disposal groups classified as held for sale			2	4,438
<b>Total Liabilities</b>			<b>41,293</b>	<b>44,352</b>
Capital			5,900	5,900
Other comprehensive income – accumulated			(702)	(791)
Retained earnings			(6,115)	(4,682)
Other reserves			5,943	4,873
Profit or loss attributable to parent company shareholders			(1,059)	(1,413)
Minority interests (Non-controlling interests)			37	35
<b>Total Equity</b>			<b>4,003</b>	<b>3,922</b>
<b>Total Liabilities and Equity</b>			<b>45,296</b>	<b>48,274</b>



# NOVO BANCO consolidated












## Income Statement

<i>(€mn)</i>	31 Dec. 2019	31 Dec. 2018
<b>Net interest income</b>	<b>540.6</b>	<b>454.3</b>
Dividend income	9.9	10.0
Fee and commission income	367.4	366.1
Fee and commission expense	(53.5)	(59.7)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	61.6	(173.9)
Gains or losses on financial assets and liabilities held for trading	(59.2)	(20.4)
Gains or losses on financial assets mandatorily at fair value through profit or loss	(253.7)	(32.9)
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	-	(1.1)
Gains or losses from hedge accounting	(1.7)	(47.1)
Exchange differences	38.8	42.5
Gains or losses on derecognition of non-financial assets	3.9	32.3
Other operating income	139.9	177.8
Other operating expenses	(403.3)	(255.6)
<b>Operating Income</b>	<b>390.7</b>	<b>491.1</b>
Administrative expenses	(444.8)	(465.1)
Staff expenses	(265.4)	(266.1)
Other administrative expenses	(179.5)	(199.0)
Depreciation	(33.7)	(22.1)
Provisions and impairments	(935.4)	(709.9)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	1.5	5.6
<b>Income before taxes</b>	<b>(1,021.8)</b>	<b>(700.5)</b>
Tax expenses or income related to profit or loss from continuing operations	(45.8)	(667.7)
Current tax	(8.8)	(8.8)
Deferred tax	(36.9)	(658.9)
<b>Profit or loss after tax from continuing activities</b>	<b>(1,067.5)</b>	<b>(1,368.2)</b>
Discontinued operations profit or loss	1.1	(39.8)
<b>Profit or loss for the period</b>	<b>(1,066.5)</b>	<b>(1,407.9)</b>
Attributable to minority interest (non-controlling interests)	7.6	(4.7)
<b>Net income attributable to shareholders of the Bank</b>	<b>(1,058.8)</b>	<b>(1,412.6)</b>



# Awards

## The Bank's performance attracts attention and recognition

	<p><i>Fundo NB Obrigações Europa FIMAO</i></p>	<p>Award in the Morningstar Portugal Fund Awards 2019 as Best Domestic Euro Bond Fund</p>	  	<p>Digital platform nbcultura.pt</p>	<p>“Silver” award in the 2019 Communicator Awards (25th edition) - Websites of Art  Award W3Awards2019, Art for Websites  “Gold” award in the Davey Awards 2019 for Websites of Arts category.</p>
	<p><i>NB Obrigações Europa</i></p>	<p>Fund awarded in Prémios Rankia 2019 (1st edition) for the quality and consistency of management and the flexibility of the Investment process</p>		<p>Human Capital Management</p>	<p>RH 2019 (14th edition) awards “Health and Wellnexx by Médis” (Saúde e Bem-Estar by MÉDIS”) and “Best Trainees Academy” – by the <i>Instituto de Informação em RH</i></p>
	<p>Best Bank in Portugal:</p>	<p>Best Trade Finance Provider, Best Sub-Custodian Bank and Best Integrated Corporate Banking Site in Portugal by Global Finance</p>		<p>NOVO BANCO <i>Cultura</i></p>	<p>APOM 2019 Awards of the “Institution” award for the project of sharing cultural and artistic heritaeg with society.</p>
 	<p>Online Digital Account Opening</p>	<p>Award in the 2019 Portugal Digital Awards (4th edition) - Best Digital Product &amp; Customer Experience.  Award by the Exame Informática magazine in The Best of Technological Portugal (<i>Os melhores do Portugal Tecnológico</i>) category.</p>		<p>Economic Research Team</p>	<p>Analyst Forecast Awards 2019: 1st Best Overall Forecaster, Euro; 2nd Best Overall Forecaster, 1st GDP Forecaster, 1st Interest Rate Forecaster; 1st Fiscal Balance Forecaster Portugal</p>



# Glossary (1/3)

## ***Income Statement***

<b>Fees and commissions</b>	Fee and commission income less fee and commission expense
<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 results 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

## ***Balance Sheet / Liquidity***

<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)

## ***Asset Quality and Coverage Ratios***

<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.

## ***Efficiency and Profitability Ratios***

<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 and abbreviations

NB	NOVO BANCO
NBG	NOVO BANCO Group
YTD	Year-to-date
YoY	Year-on-Year
ECB	European Central Bank
NII / NIM	Net Interest Income / Net Interest Margin
€ , EUR	euro
€mn	millions of euro
€bn	billions of euro
bps	basis points
p.p.	percentage points

## Disclaimer

*This document may include some statements related to the NOVO BANCO Group that do not constitute a statement of financial results or other historical information. These statements, which may include forward-looking statements, targets, objectives, forecasts, estimates, projections, expected cost savings, statements regarding possible future developments or results of operations, and any forward-looking statement that includes statements such as "believes", "expects", "aims or intends", "may" or similar expressions, constitute or may constitute forward-looking statements.*

*By their nature, forward-looking statements are inherently predictive, speculative, and involve risk and uncertainty. There are many factors that can lead to results and developments that differ materially from those expressed or implied in forward-looking statements. These factors include, but are not limited to, changes in economic conditions in countries where the NOVO BANCO Group has operations, tax or other policies adopted by various governments or regulatory entities in Portugal and in other jurisdictions, levels of competition from other banks or financial entities, and future exchange rates and interest rate levels.*

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*This document contains unaudited information for 2019.*



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