

NOVO BANCO GROUP ACTIVITY AND RESULTS AS AT 31 MARCH 2020

(Unaudited financial information)

“The restructuring process that we have been carrying out in a decisive and successful way, still ongoing, has allowed NOVO BANCO in this crisis to have proved to be a decisive and unique instrument in supporting Portuguese companies and families and the economy.”

António Ramalho

HIGHLIGHTS

- **NOVO BANCO increased its core banking income by 20.1%**, in line with the continued achievement of DGComp's objectives, as a result of the increase in core income and the reduction in operating costs.
- **The Bank is well capitalized with strong liquidity** and is well positioned to support its retail and business customers.
- **Growth of recurrent loan volumes (+5.1%; +€1,192 million)**, with an increase of +0.2% in the quarter (+€57 million), building on the positive trend achieved during year 2019 (+5.6%; +€1,303 million).
- **Increase in balance sheet customer funds (+1.5%; €434 million)**, with deposits growing by 2.4% in the first three months of 2020 (+€659 million) - the Bank continues to maintain a strong liquidity position through the growth of funds in recurrent activity.
- **Progress to sustainable profitability**, with Recurrent commercial banking income increasing to +€196.7 million (+4.8%), and the net interest margin increasing +8.8% compared with 31 March 2019. Fees and commissions are in line YoY totalling €70.1 million (Mar.19: €71.4 million), already impacted by the effects of the crisis.
- **Continued focus on cost structure optimization, while investing in the core business and in Digital transformation.**

Recurrent operating costs decreasing -2.3% to €113.5 million (Mar.19: €116.2 million).

- **Executing the strategy to reduce non-performing loans (NPL)**

-€162 million in the quarter to €3 268 million (-€3 189 million comparing to March 2019), reflecting a NPL ratio decrease from 11.8% in Dec.19 to 11.1% in Mar.20. The NPL ratio of the recurrent activity is 3.5% (Dec.19: 3.6%). Reduction of legacy assets by -4.1% (-€184 million), across all asset categories.

- **Covid impact**

NOVO BANCO Group's results and activity, in the 1st quarter of 2020, were impacted by the effects of the Covid-19 pandemic. The resulting slowdown and market volatility led to:

- (i) an increase in the cost of risk, with impairments for credit risks being elevated by €69.7 million as a result. This elevated level of impairment is expected to continue in the coming quarters.
- (ii) losses in public debt securities hedging in the amount of -€58.6 million, in line with the strategy to generate significant net interest income;
- (iii) devaluation of bonds portfolio marked to market, with a reduction of -€61 million in unrealized profits.

Excluding these impacts, the recurrent bank was profitable in the first quarter of 2020.

NOVO BANCO continues to deliver on its strategic plan, targets and the commitments assumed by the Portuguese Government with DGComp. Throughout the year, the Bank continued to make progress on its strategic priorities, achieving positive financial results in recurrent commercial banking income, despite the already visible effects of the Covid-19 pandemic that impacted the results of capital markets and impairments and provisions. In the Legacy activity the Bank pursued its strategy of reducing non-performing assets.

As in 2019, NOVO BANCO discloses its first quarter 2020 results (unaudited) 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 will allow customers and other stakeholders to better understand the progress of the Bank's ongoing restructuring.

NOVO BANCO RECURRENT

RESULTS

In the first quarter of 2020, NOVO BANCO Recurrent reported a negative net income of -€75.1 million, which represents a year-on-year decrease of -€127.8 million, due to the capital markets results (YoY change of -€111.0 million) and the increase of impairments and provisions (+€32.0 million YoY). However, it is worth noting the positive performance of the net interest income (+€10.3 million; +8.8% YoY) and the stability presented by fees and commissions (-€1.3 million YoY), which led to an increase in the commercial banking income by 4.8% compared to the first quarter of 2019.

Income Statement	Recurrent			
	31-Mar-19	31-Mar-20	Change	
			absolute	%
Net Interest Income	116.4	126.6	10.3	8.8%
+ Fees and Commissions	71.4	70.1	- 1.3	-1.9%
= Commercial Banking Income	187.8	196.7	8.9	4.8%
+ Capital Markets Results	31.3	- 79.6	- 111.0	...
+ Other Operating Results	3.9	3.0	- 0.9	-23.0%
= Banking Income	223.0	120.0	-103.0	-46.2%
- Operating Costs	116.2	113.5	- 2.6	-2.3%
= Net Operating Income	106.8	6.5	-100.3	-93.9%
- Net Impairments and Provisions	21.6	53.5	32.0	...
Credit	22.3	51.1	28.9	...
Securities	- 1.1	2.1	3.2	...
Other Assets and Contingencies	0.4	0.3	- 0.1	- 0.3
= Income before Taxes	85.3	-47.0	-132.3	...
Corporate Income Tax and Special Tax on Banks	31.4	28.1	-3.4	-10.8%
= Income after Taxes	53.8	-75.0	-128.9	...
- Non-Controlling Interests	1.2	0.1	-1.1	-92.2%
= Net Income for the period	52.7	-75.1	-127.8	...

Net interest income increased by €10.3 million, to €126.6million (+8,8%), benefiting from the positive contribution of the optimisation measures implemented and the expansion of the loan volume and continued focus on pricing policy.

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	31-Mar-19			2019			31-Mar-20		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	33 681	1,90%	160	35 237	1,86%	666	36 897	1,82%	170
Customer Loans	23 505	2,27%	133	23 902	2,24%	543	24 380	2,19%	135
Other financial assets	10 176	1,04%	26	11 335	1,07%	123	12 516	1,10%	35
Money Market Placements	744	0,10%	0	1 056	0,01%	0	2 491	0,00%	0
Securities and Other Assets	9 432	1,12%	26	10 279	1,18%	123	10 025	1,38%	35
INTEREST EARNING ASSETS AND OTHER	33 681	1,90%	160	35 237	1,86%	666	36 897	1,82%	170
INTEREST BEARING LIABILITIES AND OTHER	33 681	0,50%	42	35 237	0,48%	172	36 897	0,44%	41
NIM / NII <small>(without stage 3 impairment adjustment)</small>		1,40%	118		1,38%	494		1,38%	129
Stage 3 impairment			- 2			- 3			- 2
NIM / NII		1,38%	116		1,37%	491		1,36%	127

Compared with first quarter 2019, there was an increase in the average volumes of the loans and an increase in revenues.

Growth in volumes was achieved while maintaining a focus on pricing discipline. However, the competitive conditions, portfolio effect and the consequent pressure in interest rates, namely on loans to companies, contributed to a slight decrease in average interest rates to 2.19%.

The liability management measures performed led to the reduction of the cost of funding from 0.50% to 0.44%, while the interest rate on assets decreased from 1.90% to 1.82%. The resulting net interest margin was 1.38% in line with year 2019 and -2bp compared to 31 March 2019.

Fees and commissions on banking services contributed +€70.1 million, which compares with +€71.4 million in 31 March 2019 (-1.9%). Bancassurance and asset management continued to deliver results.

Recurrent commercial banking income grew to +€196.7 million (+4,8%).

The **Capital markets results** totalled -€79.6 million comprising the losses on the sale and revaluation of sovereign and corporate debt and other securities, including losses related to interest rate swaps used in the hedging of those sovereign debt securities.

NOVO BANCO continues to manage a significant securities portfolio of €10.7 billion. This portfolio is in line with NOVO BANCO strategy, generates significant net interest income and supports the continued achievement of its DGComp commitments.

About €6.8 billion of this portfolio relates to sovereign debt and is marked to market with changes in fair value booked in reserves. At 31 December 2019 the unrealized profit of this portfolio was €331 million, which decreased by €61 million to €270 million as a result of market volatility in the first quarter of 2020. As the portfolio is protected by interest rate hedging the related losses (-€58.6 million) are taken through profit and loss account.

Operating costs totalled €113.5 million, a decrease of -2.3% YoY, that notwithstanding the investment in the core business and in the digital transformation, reflects the continued cost structure optimization measures.

The **cost of risk** considering the credit impairment was 84bps that compares with 38bps in the first quarter of 2019. The additional general provisions of impairments for credit risks related to the Covid-19 are not allocated between Legacy and Recurrent activity.

ACTIVITY

In the first quarter 2020, assets increased by €530 million (+1.3%), with net customer loans growing by 0.3% (+€68 million) and a growth of +5.3% (+€1,208 million) compared to 31 March 2019, building on the positive trend already achieved up to the year of 2019 (+5.7%; +€1 270 million). The growth in corporate loans reflects the continued support to domestic companies, across all economic sectors, with a special focus on SMEs.

	mn€				
	31-Mar-19	31-Dec-19	31-Mar-20	YTD Change	
				absolute	%
Customer loans (net)	22 595	23 735	23 803	68	0.3%
Real estate	403	307	313	6	2.0%
Other assets	15 008	16 772	17 228	456	2.7%
Total Net Assets	38 006	40 814	41 344	530	1.3%
Total Liabilities and Equity	38 006	40 814	41 344	530	1.3%

The recurrent asset quality indicators showed a slight improvement as shown by the NPL ratio's reduction to 3.5% and with the coverage ratio reducing -0.4pp.

CUSTOMER LOANS	mn€				
	31-Mar-19	31-Dec-19	31-Mar-20	YTD Change	
				absolute	%
Customer Loans (gross)	23 245	24 380	24 437	57	0,2%
Corporate	12 545	12 925	13 061	135	1,0%
Residential Mortgage	9 405	10 100	10 095	- 5	0,0%
Consumer finance and other	1 295	1 355	1 282	- 73	-5,4%
Non-Performing Loans (NPL)*	1 336	946	936	- 10	-1,1%
Impairment	650	645	634	- 10	-1,6%
NPL Ratio*	5,6%	3,6%	3,5%	-0,1 p.p.	...
NPL coverage*	48,7%	68,3%	67,9%	-0,4 p.p.	...
Cost of Risk (bps)	38	91	84	- 8	...

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

NOVO BANCO LEGACY

NOVO BANCO Legacy reported a loss of -€34.2 million, which reflects the Group's effort in the deleverage of Legacy assets.

Income Statement	Legacy			
	31-Mar-19	31-Mar-20	Change	
			absolute	%
Net Interest Income	8.4	10.8	2.4	28.5%
+ Fees and Commissions	0.8	0.4	- 0.4	-49.2%
= Commercial Banking Income	9.2	11.2	2.0	21.6%
+ Capital Markets Results	- 3.4	- 13.9	- 10.5	...
+ Other Operating Results	- 13.4	- 0.9	12.5	93.2%
= Banking Income	-7.6	-3.6	3.9	51.9%
- Operating Costs	4.1	2.3	-1.9	-44.7%
= Net Operating Income	-11.7	-5.9	5.8	49.3%
- Net Impairments and Provisions	130.2	28.3	-101.9	-78.3%
Credit	55.4	20.9	- 34.5	-62.3%
Securities	- 0.6	0.0	0.6	...
Other Assets and Contingencies	75.4	7.4	- 68.0	- 0.9
= Income before Taxes	- 141.9	-34.2	107.7	75.9%
Corporate Income Tax and Special Tax on Banks	3.9	0.0	-3.9	-100.0%
= Income after Taxes	- 145.8	-34.2	111.6	76.5%
- Non-Controlling Interests	0.0	0.0	0.0	...
= Net Income for the period	- 145.8	-34.2	111.6	76.5%

NOVO BANCO Legacy assets decreased by -€184 million (-4.1%) compared to December 2019, underpinned by reductions in the net loan book of circa -€127 million (-8.7%) and in other assets in -€47 million (-2.2%).

				YTD Change	
	31-Mar-19	31-Dec-19	31-Mar-20	YTD Change	
				absolute	%
Customer loans (net)	2 164	1 467	1 340	- 127	-8.7%
Real estate	1 590	829	820	- 9	-1.1%
Other assets	6 874	2 186	2 139	- 47	-2.2%
Total Net Assets	10 628	4 482	4 299	- 184	-4.1%
Total Liabilities and Equity	10 628	4 482	4 299	- 184	-4.1%

There are no liabilities directly allocated to the legacy activity, therefore the funding costs for legacy loans and real estate are calculated based on the Group's average balance sheet funding rate (0.44%).

CUSTOMER LOANS	31-Mar-19	31-Dec-19	31-Mar-20	YTD Change	
				absolute	%
Customer Loans (gross)	5 316	2 675	2 486	- 188	-7.0%
Corporate	4 856	2 307	2 109	- 198	-8.6%
Residential Mortgage	215	165	161	- 3	-2.0%
Consumer finance and other	245	203	216	13	6.4%
Non-Performing Loans (NPL)*	5 121	2 485	2 333	- 152	-6.1%
Impairment	3 152	1 208	1 146	- 61	-5.1%
NPL Ratio*	89.9%	81.3%	81.1%	-0.2 p.p.	...
NPL coverage*	63.1%	51.7%	52.5%	0.8 p.p.	...
Cost of Risk (bps)	417	1 515	336	-1 178	...

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

Note: March 2019 impairment amount has been rectified versus the March 2020 published version.

NOVO BANCO GROUP RESULTS

NOVO BANCO Group reported in the first quarter of 2020 a net loss of -€179.1 million. However, it is worth noting the combined activity results show year-on-year improvements – an increase in commercial banking income (+5.5%) and a reduction of operating costs (-3.7%) – although the performance being hindered by the negative impact of capital markets results, reflecting the market volatility in the first quarter and the increased provisions for credit as a result of the Covid-19 pandemic.

INCOME STATEMENT	31-Mar-19	31-Mar-20	Change	
			absolute	%
Net Interest Income	124.7	137.4	12.7	10.1%
+ Fees and Commissions	72.2	70.5	- 1.7	-2.4%
= Commercial Banking Income	197.0	207.9	10.9	5.5%
+ Capital Markets Results	28.0	- 93.6	- 121.5	...
+ Other Operating Results	- 9.5	2.1	11.6	...
= Banking Income	215.4	116.4	- 99.0	-46.0%
- Operating Costs	120.3	115.8	- 4.5	-3.7%
= Net Operating Income	95.1	0.6	- 94.5	-99.4%
- Net Impairments and Provisions	151.8	151.5	- 0.2	-0.2%
Credit	77.7	141.7	64.0	82.5%
Securities	- 1.7	2.1	3.8	...
Other Assets and Contingencies	75.8	7.7	- 68.1	-89.8%
= Income before Taxes	- 56.6	- 150.9	- 94.3	...
- Corporate Income Tax	8.1	0.5	- 7.5	-93.4%
- Special Tax on Banks	27.3	27.5	0.2	0.9%
= Income after Taxes	- 92.0	- 179.0	- 87.0	-94.6%
- Non-Controlling Interests	1.2	0.1	- 1.1	-92.2%
= Net Income for the period	- 93.1	- 179.1	- 85.9	-92.3%

The most relevant aspects of the combined activity during the first quarter of 2020 include the following:

- Commercial banking income reached €207.9 million (+5.5% YoY), supported by an increase in net interest income (+10.1%), which more than offsets the decrease in fees and commissions (-2.4%);
- Capital markets results were negative at -€93.6 million, reflecting the losses resulting from the recurrent activity (-€79.6 million), influenced by the effects of the Covid-19 pandemic and the resulting volatility in the financial and capital markets already in the first quarter of 2020;
- Operating costs decreased by -3.7% year-on-year, to €115.8 million, underpinned by the improvements made in simplifying processes and streamlining the organisation, with the consequent reduction in the number of branches and employees. The costs related to the legacy activity were also reduced;

- The provision charge in the period, totalling €151.5 million, is broken down into credit impairments amounting to €141.7 million (of which, €69.7 million reflects the impact of the current Covid-19 pandemic context), €7.7 million for other assets and contingencies, and €2.1 million for securities;
- The cost of risk was 211bp. Excluding the reinforcement of impairments reflecting the update of IFRS 9 models forward looking information (€ 69.7M), the cost of risk in the quarter was 107 bp.

Net Interest Income

The reduction in the interest rate on liabilities (-6bps) contributed to the increase in the net interest margin by 8bps year-on-year (from 1.26% to 1.34%), with the interest rate on assets increasing by 1bps (from 1.79% to 1.80%).

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	31-Mar-19			2019			31-Mar-20		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	39 533	1,79%	177	40 344	1,82%	745	40 620	1,80%	185
Customer Loans	28 842	2,01%	145	28 558	2,08%	601	26 956	2,13%	145
Money Market Placements	1 194	1,62%	5	1 442	1,32%	19	2 792	0,69%	5
Securities and Other Assets	9 497	1,15%	27	10 344	1,19%	125	10 872	1,27%	35
INTEREST EARNING ASSETS AND OTHER	39 533	1,79%	177	40 344	1,82%	745	40 620	1,80%	185
INTEREST BEARING LIABILITIES	37 556	0,53%	49	37 960	0,51%	196	39 739	0,45%	45
Customer Deposits	28 037	0,36%	25	27 949	0,34%	97	28 495	0,28%	20
Money Market Funding	8 447	0,30%	6	8 931	1,12%	25	10 151	0,24%	6
Other Liabilities	1 072	6,77%	18	1 080	6,68%	73	1 093	6,62%	18
OTHER NON-INTEREST BEARING LIABILITIES	1 977	-	-	2 383	-	-	881	-	-
INTEREST BEARING LIABILITIES AND OTHER	39 533	0,50%	49	40 344	0,48%	196	40 620	0,44%	45
NIM / NII <small>(without stage 3 impairment adjustment)</small>		1,29%	127		1,34%	549		1,36%	140
Stage 3 impairment			- 3			- 9			- 2
NIM / NII		1,26%	125		1,32%	541		1,34%	137

The average rate on customer loans, the main component of financial assets (66.4%), was 2.13%. Regarding liabilities, the average balance of deposits was €28.5 billion, with an average interest rate of 0.28%. The Group therefore continued to build the spread between the rate on interest earning assets (1.80%; Dec.19: 1.82%) and the cost of liabilities (0.44%; Dec.19: 0.48%).

Fees and Commissions

Fees and commissions on banking services contributed +€70.5 million (-2.4%), which compares with +€72.2 million on 31 March 2019.

FEES AND COMMISSIONS	31-Mar-19	31-Mar-20	Change	
			absolute	%
Payments Management	29.0	27.5	-1.5	-5.0%
Commissions on Loans, Guarantees and Similar	23.9	23.3	-0.6	-2.4%
Asset Management and Bancassurance	16.6	17.0	0.5	2.8%
Advising, Servicing and Other	2.7	2.5	-0.2	-6.5%
TOTAL	72.2	70.5	-1.7	-2.4%

In the first quarter of 2020 there was a decrease in the fees and commissions on payment services and on loans and guarantees reflecting lower levels of transactions and general banking activity in Portugal. This was partly offset by the increase in fees on asset management and bancassurance.

Capital Markets and Other Operating Results

The Capital markets results totalled -€93.6 million comprising the losses on the sale and revaluation of sovereign and corporate debt and other securities, including losses related to interest rate swaps used in the hedging of those sovereign debt securities.

NOVO BANCO continues to manage a significant securities portfolio of €11.8 billion. This portfolio is in line with NOVO BANCO strategy, generates significant net interest income and supports the continued achievement of DGComp commitments.

About €6.8 billion of this portfolio relates to sovereign debt and is marked to market with changes in fair value booked in reserves. At 31 December 2019 the unrealized profit of this portfolio was €331 million, which decreased by €61 million to €270 million as a result of market volatility in the first quarter of 2020. As the portfolio is protected by interest rate hedging the related losses (-€58.6 million) are taken through profit and loss account.

Operating Costs

Operating costs show a year-on-year reduction of -3.7%, reflecting the restructuring measures associated with the downsizing of the distribution network and simplification of organisational structure and processes and consequent reduction in headcount.

OPERATING COSTS	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	Change	
						31-Mar-20 / 31-Mar-19	
						absolute	%
Staff Costs	81.4	71.8	65.9	66.2	65.4	- 0.8	-1.2%
General and Administrative Costs	58.7	52.4	50.2	45.6	41.8	- 3.8	-8.3%
Depreciation	15.1	11.0	5.8	8.5	8.6	0.1	1.0%
TOTAL	155.2	135.2	121.9	120.3	115.8	- 4.5	-3.7%

Staff costs amounted to €65.4 million (-1.2% YoY), with an associated headcount reduction of 15 employees since 31 December 2019. As at 31 March 2020, NOVO BANCO Group had 4 854 employees (4 869 at 31 December 2019).

General and administrative costs dropped by 8.3% year-on-year, to €41.8 million. This reduction reflects the continued rationalisation and streamlining of the Bank's internal business processes.

As at 31 March 2020 the branch network comprised 386 units (387 at 31 December 2019).

Impairments and Provisions

NOVO BANCO Group increased provisions by €151.5 million (-€0.2 million less than at 31 March 2019), of which €141.7 million for credit (-€64.0 million increase), €7.7 million for other assets and contingencies (-€68.1 million decrease) and €2.1 million for securities.

NET IMPAIRMENTS AND PROVISIONS	31-Mar-19	31-Mar-20	Change	
			absolute	%
Customer Loans	77.7	141.7	64.0	82.5%
Securities	-1.7	2.1	3.8	...
Other Assets and Contingencies	75.8	7.7	- 68.1	-89.8%
TOTAL	151.8	151.5	- 0.2	-0.2%

The slowdown in banking activity in line with the evolution of the economic crisis which inevitably led to an increase in the cost of risk, with impairments for credit risks being increased by €69.7 million as a result of updating IFRS9 model forward looking information, generating expected losses related specifically to the economic impact of Covid-19 pandemic. This elevated level of impairment is expected to continue in the coming quarters.

ACTIVITY, LIQUIDITY AND CAPITAL MANAGEMENT

CUSTOMER LOANS

NOVO BANCO's strategy is one of supporting the domestic business community combined with a robust lending policy. This support has been provided across all industry sectors and all companies, placing a particular focus on the exporting small and medium-sized companies, and those that focus on innovation of their products, services or production systems.

mn€

CUSTOMER LOANS	31-Mar-19	31-Dec-19	31-Mar-20	YTD Change	
				absolute	%
Loans to corporate customers	17 401	15 232	15 169	- 63	-0.4%
Loans to Individuals	11 160	11 823	11 754	- 68	-0.6%
Residential Mortgage	9 620	10 264	10 256	- 8	-0.1%
Other Loans	1 540	1 558	1 498	- 60	-3.8%
Customer Loans (gross)	28 561	27 055	26 923	- 131	-0.5%
Provisions	3 803	1 852	1 850	- 2	-0.1%
Customer Loans (net)	24 759	25 202	25 073	- 129	-0.5%

Gross customer loans decreased by -€131 million relative to December 2019. The reduction in corporate loans in the first quarter of 2020 driven by a reduction in legacy non-performing loans, which decreased by -€152 million. In the recurrent activity, loan volumes increased by +0.2%, with improvements in the corporate portfolio of +1.0%.

The main credit risk indicators had the following evolution when compared with March and December 2019:

mn€

ASSET QUALITY AND COVERAGE RATIOS	31/mar/19	31-Dec-19	31-Mar-20	YtD Change	
				absolute	%
Overdue Loans > 90 days	3 305	1 083	1 042	- 41	-3.8%
Non-Performing Loans (NPL)*	6 457	3 430	3 268	- 162	-4.7%
Overdue Loans > 90 days / Customer Loans (gross)	11.6%	4.0%	3.9%	-0.1 p.p.	
Non-Performing Loans (NPL) * / Customer Loans (gross) + Deposits with banks and advances to banks (gross)	21.8%	11.8%	11.1%	-0.7 p.p.	
Credit Provisions / Customer Loans	13.3%	6.8%	6.9%	0.0 p.p.	
Coverage of Overdue Loans > 90 days	115.1%	171.0%	177.5%	6.5 p.p.	
Coverage of Non-Performing Loans *	60.1%	56.2%	59.0%	2.8 p.p.	

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

The reduction in loans overdue by more than 90 days and in non-performing loans (including deposits with banks and loans and advances to banks) led to an improvement in the respective asset quality ratios to 3.9% and 11.1%, respectively, on 31 March 2020 (4.0% and 11.8% on 31 December 2019).

The coverage of non-performing loans by impairments (including deposits with banks and loans and advances to banks) reached 59.0%

Provisions for credit amounted to €1.8 billion, representing 6.9% of the total loan book.

SECURITIES

The securities portfolio, the main source of eligible assets for funding operations with the ECB, totalled €11.8 billion on 31 March 2020 and represented 25.9% of assets.

net of impairment				mn€	
Securities portfolio	31-Mar-19	31-Dec-19	31-Mar-20	YTD Change	
				absolute	relative
Portuguese sovereign debt	3 760	4 071	3 718	- 353	-8.7%
Other sovereign debt	3 334	3 750	3 712	- 38	-1.0%
Bonds	2 215	2 883	3 103	220	7.6%
Other	1 643	1 337	1 282	- 55	-4.1%
Total	10 951	12 042	11 816	- 226	-1.9%

FUNDING

As at 31 March 2020 total customer funds amounted to €34.5 billion with deposits, which represent 82.6% of total funding, having a 2.4% increase year-on-year.

TOTAL FUNDS	31-Mar-19	31-Dec-19	31-Mar-20	YTD change	
				absolute	%
Deposits	27 780	27 835	28 494	659	2.4%
Other Customer Funds ⁽¹⁾	354	566	348	- 217	-38.4%
Debt Securities ⁽²⁾	675	708	691	- 17	-2.3%
Subordinated Debt	423	415	424	9	2.1%
Sub -Total	29 233	29 523	29 957	434	1.5%
Off-Balance Sheet Funds	5 130	4 925	4 547	- 378	-7.7%
Total Funds	34 363	34 448	34 504	56	0.2%

(1) Includes checks and pending payment instructions, Repos and other funds.

(2) Includes funds associated to consolidated securitisation operations.

LIQUIDITY

Focusing on improving profitability, during 2020, the Bank continued to pursue its policy of lowering the price of deposits while at the same time diversifying its offering. Customer deposits and other customer funds grew by approximately €442 million year-on-year, reaching a total of €28.8 billion.

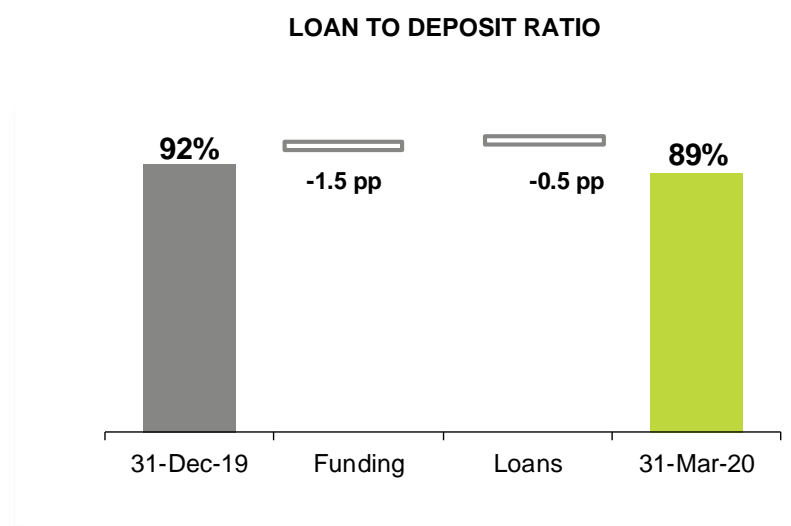
In terms of assets, in the 1st Quarter 2020 and in relation to the end of 2019, NOVO BANCO decreased slightly the loan portfolio volume net of impairment (-0.5%) and the amount invested in the securities portfolio (-1.9%),

The portfolio of eligible assets for rediscount with the European Central Bank totalled €14.9 billion (net of haircuts) at the end of the 1st Quarter 2020, that compares with €15.3 billion in 2019, to which add HQLA non-

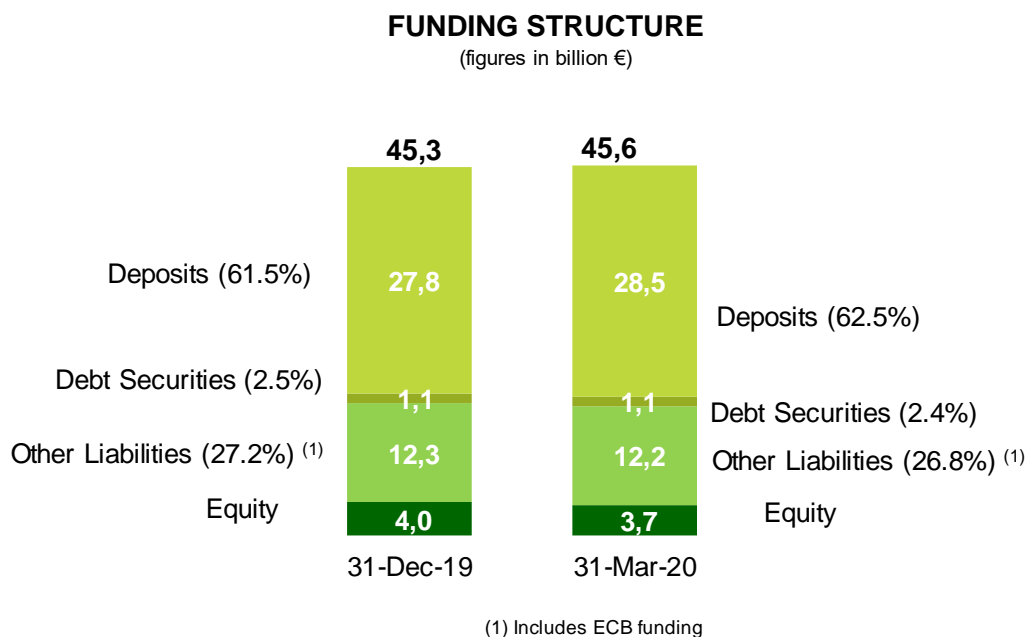
eligible for ECB rediscount purposes. Hence at the end of the quarter, the Bank maintained a liquidity buffer above €9 billion, largely composed of highly liquid assets (83%).

NOVO BANCO thus maintained a comfortable liquidity position, which is reflected in its Liquidity Coverage Ratio (LCR) of 137% at the end of the 1st Quarter 2020 (143% at the end of 2019).

Both liquidity metrics, NSFR and LCR increased subsequent to the first quarter with LCR rising above 2019 year end levels.



Customer deposits remain the main source of balance sheet funding, accounting for 68.1% of total liabilities and 62.5% of total assets.



The minimum requirement for own funds and eligible liabilities (MREL), set by the Single Resolution Board, using the financial and supervisory information as of 31 December 2018, has been set at 17,61% of Total Liabilities and Own Funds of NOVO BANCO. MREL requirement represents 26,01% of the Total Risk Exposure Amount and should be reached by 31 December 2023. The requirement is in line with Bank expectations, and consistent with the funding plans. It should be noted that the MREL requirement will be subject to ongoing regulatory reviews, reflecting ongoing assessment of the business evolution and this may lead to changes in the profile of NOVO BANCO assets and liabilities, and its underlying risks.

CAPITAL

NOVO BANCO's Common Equity Tier 1 (CET1) is protected at pre-established levels, up to the amounts of losses already recorded on the assets protected by the Contingent Capitalization Agreement. The compensation amount to be requested relating to 2020, will take into account the losses incurred on the assets protected by the Contingent Capitalization Agreement, as well as the regulatory requirements for capital ratios defined for at the end of 2020. While NOVO BANCO continues to be protected, the level of protection of CET1 is set at 12% from January 2020.

As at 31 March 2020 the provisional CET1 ratio was 12.3% and the provisional total solvency ratio was 13.8%, representing a decrease compared to the end of 2019 mainly due to the decrease in shareholders equity (net losses during the period and other comprehensive income) impacted in the period by the effects of the Covid-19 pandemic.

In this context, it is important to highlight the fact that on 12 March 2020 the European Central Bank (ECB) disclosed several measures that allow banks to operate temporarily below the required capital level. These measures aim to prevent banks from suspending financing to the economy in an adverse economic context.

		mn€		
CAPITAL RATIOS (CRD IV/CRR)		31-Dec-19	31-Mar-20 *	31-Mar-20 *
		<i>(Phased-in)</i>	<i>(Phased-in)</i>	<i>(fully loaded)</i>
Risk Weighted Assets	(A)	29 579	29 679	29 518
Own Funds				
Common Equity Tier 1	(B)	3 996	3 659	3 452
Tier 1	(C)	3 998	3 660	3 454
Total Own Funds	(D)	4 475	4 109	3 998
Common Equity Tier 1 Ratio	(B/A)	13,5%	12,3%	11,7%
Tier 1 Ratio	(C/A)	13,5%	12,3%	11,7%
Solvency Ratio	(D/A)	15,1%	13,8%	13,5%
Leverage Ratio		8,4%	7,7%	7,3%

* preliminary

COMMERCIAL ACTIVITY

Regarding to the Bank's commercial activity, the 1st quarter of 2020 was marked by the effects of the Covid-19 pandemic, with NOVO BANCO monitoring the impacts of this context on the activity of its customers, which became particularly acute as from March.

Corporate Banking

Considering the current context of the pandemic, NOVO BANCO positioned itself as a strategic partner for its customers, in three key areas:

- (i) Implementation of schemes that expedite the process of request and implementation of moratoria on loan operations;
- (ii) Making available business support credit lines (*Capitalizar 2018 - Covid-19* and *Linha de Apoio à Economia Covid-19*, with an initial total ceiling of €3.4 billion, having been increased to €6.6 billion during April), and revision of the approval and contracting process, which allowed to reduce the total process time by more than 50%, accelerating the support to companies' treasury needs;
- (iii) Focus on the digital transformation of its processes, investing on remote relationship and signature tools so as to continue to address the needs of its clients quickly but in compliance with the social distancing restrictions imposed by this new situation.

NOVO BANCO maintains strong roots in the Portuguese business community, as shown by its market shares, namely in corporate loans, where its share reaches 16.1%, and in deposits, where it stands at 14.7%¹.

In Trade Finance, NOVO BANCO provides a wide range of products and specialised advice designed to support international trade. The Bank's know-how in this segment is much valued by companies, which reward it with a market share of 19.4%². In 2020 NOVO BANCO was elected for the second consecutive year as the Best Trade Finance Bank in Portugal, by the Global Finance Magazine. This award, in addition to reinforcing NOVO BANCO's role in the support provided to Companies' activity, shows the international recognition of its capabilities in this important business area, where a wide range of products and a specialised team underline the success of international trade operations, and provides the necessary support to export operations.

As to the assessment made by the corporate clients of NOVO BANCO and its team, the level of "Customer Service Satisfaction" reached 93% (percentage of responses of 8 to 10 in a scale of 1 to 10) in March 2020, which represents an increase of 4pp relative to 2017 and 2 pp relative to 2018 (compared to 2019, the score remained flat). Moreover, the results of other surveys conducted, namely relating to "Global Satisfaction with the Bank", "Trust", "Repurchase intention" and "Recommendation", have also improved steadily since 2015.

In the medium-sized companies and Corporate segment, production of medium- and long-term loans reached €471 million in the 1st quarter of 2020, upholding NOVO BANCO's reference role in supporting the development of companies and economic activity in Portugal.

¹ Non-Financial Companies based in the Monetary Union, with contracts in Euro - January 2020

² March 2020, as measured by the number of Swift messages

During this period, NOVO BANCO continued to promote and/or participate in several initiatives addressed to the corporate segment and enhance the visibility of economic sectors, regions and outstanding companies, namely the following:

- Regional Events: The first “Os nossos Campeões” (“Our Champions”) summit was held on 12th February, in Évora. This summit focused on the Alentejo region's companies and entrepreneurs, bringing to light its distinctive assets and some of its ‘champions’.
- Industry-specific Events, which promote the more dynamic, representative and innovative sectors in the Portuguese economy, such as the Agrifood industry. NOVO BANCO once again marked a presence in SISAB, the International Trade Fair for Portuguese Food and Beverages, in the 25th edition of that which is considered the largest and most important annual business event in the Portuguese agrifood sector, held from the 2nd to the 4th of March, at Altice Arena, in Lisbon. Agrifood has been gaining an increasingly prominent place in the Portuguese economy, in particular in the last decade. The sector's vigour and high level of competitiveness, the high quality of its products and constant alignment to world trends, are some of the key factors that drove the exponential growth of its exports over the last ten years.

Retail Banking

In the Covid-19 pandemic context, NOVO BANCO showed a rapid and flexible reaction, standing at the forefront of the response, available to serve its clients within this challenging environment.

At operational level, NOVO BANCO's response involved keeping its branches open, subject to responsible protection rules for customers and employees, developing training campaigns on the remote and digital channels and their main functionalities, and creating more flexible ways for contracting products.

In terms of the offering, a large set of initiatives was developed to support individual and small businesses clients, by setting in motion and making available credit lines of support to companies affected by the crisis, and taking part in the financial sector's global solution to support families in financial difficulties due to the pandemic (Moratoria for Residential Mortgage Loans and Personal Loans). Moreover, the Bank offered temporary exemptions for certain fees (such as fees on digital transfers and cash advances), and made available free-of-charge debit cards, as well as insurance products with special Covid-10 related coverage.

The Bank once again stressed its importance for the day-to-day of thousands of clients, individuals and small companies, that entrust their main banking relationship to NOVO BANCO, consequently maintaining a leading position in the main product lines, thanks to the quality of the service provided and the reinforcement of the functionalities and products available through its various customer relationship channels.

NOVO BANCO's positioning as an expert in Credit solutions, and its speed of response, allowed it to maintain the level of consumer credit, despite the adverse context. In terms of the Non-financial Offering, the Bank maintained the regular launch of exclusive thematic offers, with products of several categories (technology, jewellery, sports, healthcare, among others).

In Residential mortgage loans, the real estate market's slowdown led to a general contraction in lending, affecting production in the 1st quarter of 2020, which dropped by roughly 10% compared to 2019.

The Clients' recognition of the focus placed by NOVO BANCO on their wellbeing is reflected in the widespread increase in several treasury and day-to-day management products for the Portuguese companies and families, including salary accounts, credit cards and service accounts, even in the current adverse scenario. The number of active clients using the digital channels grew by more than 5% YoY, while the number of Clients subscribing to the *Solução NB Ordenado* (NB Salary Solution) registered an increase of approximately 18% relative to the same period in 2019.

In terms of Customer Funds, 2020 started with a campaign on Saving and Investment Solutions, which used an analogy to show that the practice of regular saving is as important to financial health as the regular practice of sports is for physical health: "Invest in yourself. Practice saving regularly". In addition to spinning or running, the Bank challenged its customers to engage in a new practice, "*poupating*" (a pun on the Portuguese word "*poupar*", to save).

In saving and investment solutions, NOVO BANCO has a comprehensive offering into a value proposition aligned to the clients' risk profile and return expectations. It is worth noting the offering of Investment Funds, which suit the risk appetite of each client, and also the regular launch of Structured Deposits with the ESG/ECO stamp, whose performance is linked to the performance of companies that are leading the change in their industry sectors' economic models, and are at the forefront of best environmental, social and governance practices. The clients' strong recognition of and satisfaction with the Bank's offering have supported the maintenance of a trend of growing diversification since 2019, although March saw a sharp deceleration due to the instability in the Financial and Capital markets caused by the pandemic.

NOVO BANCO has been rolling out, in a phased manner, a Financial Advisory Service for its NB360° and NB360° Singular clients, which features different propositions and adjusts the investment portfolio according to the client's profile, as yet another component of the differentiating service provided to these clients.

In the Small businesses segment, after closing the year with a campaign that highlights NOVO BANCO's deep knowledge of businesses and regions, through its proximity to the clients, 2020 started with a digital campaign setting out solutions for potential clients in this segment, which reached more than 55 thousand small businesses. In addition, the focus on customer service was maintained, fostering higher satisfaction and loyalty within the customer base. This dynamic approach resulted in increases in both the client base (+2.9% vs. Dec.19) and in the loan portfolio (+1.4% vs. Dec.19).

Equally worth mentioning as a sign of the segment's buoyancy, the market share in terms of the volume of loans contracted under the mutual guarantee line dedicated to small and medium-sized enterprises ("Capitalizar MPE 2018") reached 13.3% at the end of March.

ECONOMIC ENVIRONMENT

The first quarter of 2020 was marked by the strong economic and market impacts of the Covid-19 pandemic. The spread of Covid-19 resulted in a simultaneous negative economic shock on supply and demand, a disruption in global production chains and a strong increase in risk aversion in financial markets.

China's economy - initially the most affected - contracted 9.8% QoQ and 6.8% year-on-year in the first quarter. In the US and the Euro Area, the impacts on activity were mainly felt from March. Even so, GDP may have fallen by around 3%-4% QoQ annualized in the US and around 3% QoQ in the Euro Area as a whole, but with some economies registering higher declines. In these economies, more pronounced impacts were expected in the 2nd quarter.

In this context, the American Federal Reserve reduced the fed funds target rate by 150 bps, to 0%-0.25%, announced unlimited purchases of Treasuries and MBS and created or recovered several programs to support the financing of companies and families. The ECB kept the reference interest rates unchanged (deposit facility rate at -0.5%), but reinforced the injection of liquidity into the economy, through new LTROs, improved conditions in existing TLTROs and, above all, a new Pandemic Emergency Purchase Program (€750 billion of sovereign and corporate debt acquisition). The ECB also announced the relaxation of the 33% acquisition limit for each country's debt issues. In the US and Europe, capital requirements on banks have also been relaxed. Governments have announced aggressive fiscal stimuli, to support household income and business financing.

The deterioration of the global outlook and high uncertainty surrounding the effects of the new coronavirus resulted in strong increases in volatility and risk aversion in financial markets. The 10-year Treasury and Bund yields declined from 1.919% to 0.67% and from -0.185% to -0.471%, respectively, and credit spreads widened, especially in the High Yield segment. The euro depreciated 2.3% against the dollar, to EUR / USD 1.0971, with the US currency benefiting from its safe haven status and from strong demand for liquidity. The 3-month Euribor remained relatively stable, rising from -0.383% to -0.363%, reacting to the absence of an interest rate cut by the ECB, as well as to the increase in demand for liquidity. In a context of strong uncertainty and pressure on earnings, the stock market recorded significant losses in the first quarter of 2020, even if mitigated by the aggressive intervention of central banks. In the US, the Dow Jones, S&P 500 and Nasdaq indexes fell 23.2%, 20% and 14.2%, respectively. In Europe, DAX, CAC40 and IBEX depreciated 25%, 26.5% and 28.9%. The oil price (Brent) fell 68% to USD 21.5 / barrel.

The Portuguese economy also suffered a strong impact from the Covid-19 outbreak, which was especially visible in the tourism and restaurant sectors. Unemployment increased and fiscal policy measures were announced in support of firms and households. The rise in risk aversion in financial markets resulted in a widening of the 10Y PGB-Bund spread, from 63 to 134 bps, with the PGB yield rising from 0.44% to 0.87%. The PSI-20 index fell 21.95%.

Covid-19

From January 2020, the COVID-19 outbreak has been spreading to all Continents, with huge impact on financial markets and economic activity globally and in Portugal.

NOVO BANCO Group is closely monitoring developments which, after a two-month phase of confinement, has now seen the reopening of economic and social activities, although there is still a great deal of uncertainty regarding to the extent of the impact on the domestic economy, prospects for returning to growth, and preserving employment.

The impact on corporate and on households had repercussions in the 1st quarter of 2020 and, at the date of this report's release, it is expected to worsen in the following months.

NOVO BANCO played an active role in supporting companies and families from the first moment, namely in making available credit lines agreed with the State and in loans moratorium. In this regard, the Bank reached €1.2 billion in credit lines approved with a State guarantee, which corresponds to a 18.3% market share.

It should be noted that NOVO BANCO led with a share of 48%, and around €191 million approved, the €400 million credit line "Crédito Capitalizar 2018 | Covid-19" for working capital and treasury needs, the first credit line launched in March by the Government in association with the National Mutual Guarantee System to support companies and businesses whose activity is affected by the economic effects resulting from the outbreak.

Regarding loan moratorium, as of June 2 2020, NOVO BANCO approved 56 thousand operations amounting to €6.12 billion. About 37% of the operations were from companies, in an amount of €4.16 billion and there were 22 thousand retail customers who resorted to the Residential Mortgage Credit moratorium, in the amount of €1.87 billion.

NOVO BANCO is also monitoring the potential impacts and, where relevant, is taking decisions that defend the interests of different stakeholders, namely customers and employees.

As a result of the evolution of the pandemic in Portugal, NOVO BANCO implemented the following measures:

Adaptating the banking and financial offer to cope with the COVID-19 outbreak:

- Corporate clients:

NOVO BANCO has made available to its clients and to the domestic companies a set of treasury and funding solutions to support domestic industry sectors whose activity is affected by the economic effects resulting from Covid-19, always taking into account the appropriate risk criteria.

Financial Support includes:

- a NOVO BANCO current account line, dedicated to supporting merchants and small businesses affected by the context of COVID-19, with no fees and commissions for the first 6 months;

- possibility of a grace period of up to 12 months in outstanding medium and long term financing contracts, in duly justified cases, for certain sectors of activity and when the debt service is duly ensured;

NOVO BANCO, SA | Av. da Liberdade, n. 195 Lisbon, Portugal | Share Capital: 5 900 000 000.00 euro

Commercial and Tax identification number: 513 204 016 | 5493009W2E2YDCXY6S81

- credit to companies in sectors with greater difficulty in treasury, with an extension of the deadline for payment of invoices up to 90 days for Factoring products;
- exemption from fixed costs in transactions carried out through POS, allowing merchants to accept reduced value payments without added costs;
- the credit lines Covid-19 to support the economy in an amount of €6,200 million, breakdown by 4 industry sector credit lines:
 - . €600 million - Restaurants and similar activities
 - . €200 million - Travel Agencies, Tourist Entertainment and Event organization
 - . €900 million - Tourism
 - . €4,500 million - Support for the Economic Activity
- creation of a credit line to advance funding for companies operating on a Simplified Lay-off regime, for payment of wages;
- Public Credit moratorium, under Decree-Law 10-J / 2020 to protect domestic companies;
- a solution for landlords to overcome liquidity needs;
- prompt payment to all suppliers.

- Retail clients:

NOVO BANCO has launched a package of products and services tailored to the needs exacerbated by the COVID 19 pandemic and aimed at reducing the risks of contagion. This package includes the temporary exemption of fees and commissions on a set of essential transactions through digital channels (from interbank transfers, payment of services, cash-advance and MBWay payments, to the exemptions of the 1st annuity on new debit and prepaid cards or card replacements).

To meet the foreseeable increase in the use of digital channels, NOVO BANCO has also strengthened technological support for transactions made through electronic means of payment.

These measures will have temporary effect and aim to reduce the need to touch the terminals and the physical exchange of money which are little advised in this period.

NOVO BANCO has also made available to its customers a moratorium on residential mortgage loans, as provided for in Decree Law 10-J, replying to the clients requests within a response period between 24h and 48h, and the NOVO BANCO Credit to Individuals moratorium | Covid-19, according to the protocol with the Portuguese Association of Banks (APB).

Still on the loan moratoriums, a mail-box and “green way” (“Via Verde”) contact line were created for corporate, small business and private individual customers to clarify doubts about Covid-19 credit lines and moratoriums.

Protection of Employees and Customers:

- Promotion and dissemination of recommended hygiene practices and availability of recommended sanitary products in buildings and branches of NOVO BANCO;
- Availability of dedicated isolation rooms, in all central buildings and branches, for the confinement of employees suspected of infection;
- Plan for the evacuation and disinfection of buildings and branches in case of confirmed infection of a team member;
- Self-isolation/quarantine and telework measures for employees who have traveled to one of the affected countries or regions or who have been in close contact with someone who has been confirmed to be infected;
- Prohibition of all non-critical business trips and recommendation to all employees to reduce personal travel to a minimum;
- Restriction of non-critical face-to-face internal meetings or with suppliers or partners, which are replaced by digital means (video and conference call or other team collaboration tools) and reduced to a minimum number of participants;
- Replacement of face-to-face meetings with customers with remote alternatives whenever possible, with greater restrictions in the affected areas;
- Implementation of telework plans and division of teams between various locations for critical and non-critical functions, in order to ensure the ability to maintain service levels without disruption;
- Evaluation with our main suppliers and partners of their business continuity plans for COVID-19 to ensure minimization of business impact through third-party supplies.

Customer Service:

The customer phone service team has been strengthened to cope with a potential increase in demand.

Also, the communication to customers about the means to conduct transactions, contracting and digital contact was strengthened and implemented an exemption on fees and commissions for the generality of transactions carried out through digital channels.

With regard to the availability of face-to-face service, NOVO BANCO's branches will remain open to the public in a conditioned manner. The conditionality is reflected solely in the restriction on the number of customers who can simultaneously be inside the branch, which will be limited to 4 customers.

However, the following exceptions are foreseen for availability in face-to-face care:

- In situations where customers who had visited the bank's facilities and who subsequently tested positive for the COVID-19 virus, the service will be carried out exclusively by telephone during a period of 14 days;

- branches with up to 3 employees will close during lunch time between 12:00 and 13:00;
- In situations of branches where there is a positive case of COVID-19 infection, the affected branch will be closed for the quarantine period.

Donations to pro-Covid-19 campaigns:

NOVO BANCO contributed to several campaigns to mitigate the impacts of Covid-19 in the community. It should be noted the contribution to an initiative of the Portuguese Banking Association (APB) for the acquisition of 100 ventilators; a donation to the *Associação Empresarial de Portugal* (AEP) also for the acquisition of protective material in partnership with the *Ordem dos Médicos*, and a donation of €500 thousand for the Covid Tools Access Accelerator, an initiative promoted by the European Union for the which the Portuguese Government and several domestic public and private entities have joined.

MAIN HIGHLIGHTS	31-Mar-19	31-Dec-19	31-Mar-20
ACTIVITY (mn€)			
Net Assets	48 634	45 296	45 572
Customer Loans (gross)	28 561	27 055	26 923
Customer Deposits	27 780	27 835	28 494
Equity	4 206	4 003	3 732
SOLVENCY			
Common Equity Tier I / Risk Weighted Assets ⁽³⁾	13,5%	13,5%	12,3%
Tier I / Risk Weighted Assets ⁽³⁾	13,5%	13,5%	12,3%
Total Capital / Risk Weighted Assets ⁽³⁾	15,1%	15,1%	13,8%
LIQUIDITY (mn€)			
European Central Bank Funding ⁽²⁾	6 064	4 714	4 490
Eligible Assets for Repo Operations (ECB and others), net of haircut	14 368	15 253	14 875
(Total Credit - Credit Provision) / Customer Deposits ⁽¹⁾	90%	92%	89%
Liquidity Coverage Ratio (LCR)	121%	143%	137%
Net Stable Funding Ratio (NSFR)	106%	101%	104%
ASSET QUALITY			
Overdue Loans > 90 days / Customer Loans (gross)	11,6%	4,0%	3,9%
Non-Performing Loans (NPL) / (Customer Loans + Deposits with banks and Loans and advances to banks)	21,8%	11,8%	11,1%
Credit Provision / Overdue Loans > 90 days	115,1%	171,0%	177,5%
Credit Provision / Customer Loans (gross)	13,3%	6,8%	6,9%
Cost of Risk	1,09%	2,32%	2,11%
PROFITABILITY			
Net Income for the Period (mn€)	-93,1	-1058,8	-179,1
Income before Taxes and Non-controlling interests / Average Net Assets ⁽¹⁾	-0,7%	-2,1%	-1,6%
Banking Income / Average Net Assets ⁽¹⁾	1,8%	0,9%	1,0%
Income before Taxes and Non-controlling interests / Average Equity ⁽¹⁾	-7,7%	-22,3%	-16,7%
EFFICIENCY			
Operating Costs / Banking Income ⁽¹⁾	55,8%	113,8%	99,5%
Staff Costs / Banking Income ⁽¹⁾	30,7%	63,1%	56,2%
EMPLOYEES (No.)			
Total	5 070	4 869	4 854
- Domestic	4 783	4 648	4 635
- International	287	221	219
BRANCH NETWORK (No.)			
Total	401	387	386
- Domestic	381	375	375
- International	20	12	11

(1) According to Banco de Portugal Instruction n. 16/2004, in its version in force

(2) Includes funds from and placements with the ESCB; positive = net borrowing; negative = net lending

(3) Preliminary

NOVO BANCO, S.A.
CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2020 AND 31 MARCH 2019

thousands of Euros

	31.03.2020	31.03.2019
Interest Income	187 070	178 052
Interest Expenses	(49 673)	(53 306)
Net Interest Income	137 397	124 746
Dividend income	5 185	508
Fee and comission income	82 909	85 467
Fee and comission expenses	(13 633)	(14 564)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	4 093	46 715
Gains or losses on financial assets and liabilities held for trading	(43 253)	(34 981)
Gains or losses on financial assets mandatorily at fair value through profit or loss	(42 330)	6 928
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	(7)	(19)
Gains or losses from hedge accounting	(4 767)	(1 998)
Exchange differences	(13 881)	9 003
Gains or losses on derecognition of non-financial assets	(587)	1 034
Other operating income	20 426	52 188
Other operating expenses	(44 281)	(87 695)
Operating Income	87 271	187 332
Administrative expenses	(107 180)	(111 764)
<i>Staff expenses</i>	(65 407)	(66 194)
<i>Other administrative expenses</i>	(41 773)	(45 570)
Depreciation	(8 615)	(8 531)
Provisions or reversal of provisions	(2 319)	(67 134)
<i>Commitments and guarantees given</i>	2 705	4 900
<i>Other provisions</i>	(5 024)	(72 034)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(143 856)	(75 886)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	29	-
Impairment or reversal of impairment on non-financial assets	(5 373)	(8 737)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	584	1 211
Profit or loss before tax from continuing operations	(179 459)	(83 509)
Tax expense or income related to profit or loss from continuing operations	(529)	(8 066)
<i>Current tax</i>	(1 145)	(5 383)
<i>Deferred tax</i>	616	(2 683)
Profit or loss after tax from continuing operations	(179 988)	(91 575)
Profit or loss from discontinued operations	1 006	(395)
Profit or loss for the period	(178 982)	(91 970)
Attributable to Shareholders of the parent	(179 072)	(93 122)
Attributable to non-controlling interests	90	1 152
	(178 982)	(91 970)

NOVO BANCO, S.A.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2020 AND AS AT 31 DECEMBER 2019

	thousands of Euros	
	31.03.2020	31.12.2019
ASSETS		
Cash, cash balances at central banks and other demand deposits	2 216 220	1 854 081
Financial assets held for trading	762 723	748 732
Financial assets mandatorily at fair value through profit or loss	1 310 615	1 314 742
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	8 415 972	8 849 896
Financial assets at amortised cost	27 306 232	27 141 460
Securities	1 901 754	1 622 545
Loans and advances to banks	395 963	369 228
Loans and advances to customers	25 008 515	25 149 687
Derivatives – Hedge accounting	6 611	7 452
Fair value changes of the hedged items in portfolio hedge of interest rate risk	64 515	52 540
Investments in subsidiaries, joint ventures and associates	92 687	92 628
Tangible assets	882 787	889 152
Tangible fixed assets	183 112	188 408
Investment properties	699 675	700 744
Intangible assets	28 380	26 378
Tax assets	938 791	900 095
Current Tax Assets	1 835	1 628
Deferred Tax Assets	936 956	898 467
Other assets	3 502 511	3 378 492
Non-current assets and disposal groups classified as held for sale	44 307	40 255
TOTAL ASSETS	45 572 351	45 295 903
LIABILITIES		
Financial liabilities held for trading	618 560	544 825
Financial liabilities designated at fair value through profit or loss	91 165	102 012
Financial liabilities measured at amortised cost	40 154 230	39 673 649
Deposits from central banks and other banks	9 797 233	9 849 623
Due to customers	28 842 197	28 400 127
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	1 067 995	1 065 211
Other financial liabilities	446 805	358 688
Derivatives – Hedge accounting	68 207	58 855
Provisions	300 742	307 817
Tax liabilities	17 483	17 980
Current Tax liabilities	13 049	11 873
Deferred Tax liabilities	4 434	6 107
Other liabilities	588 104	586 066
Liabilities included in disposal groups classified as held for sale	2 132	1 942
TOTAL LIABILITIES	41 840 623	41 293 146
EQUITY		
Capital	5 900 000	5 900 000
Accumulated other comprehensive income	(792 577)	(702 311)
Retained earnings	(7 202 828)	(6 115 245)
Other reserves	5 970 311	5 942 501
Profit or loss attributable to Shareholders of the parent	(179 072)	(1 058 812)
Minority interests (Non-controlling interests)	35 894	36 624
TOTAL EQUITY	3 731 728	4 002 757
TOTAL LIABILITIES AND EQUITY	45 572 351	45 295 903

GLOSSARY

Income Statement

Fees and commissions	Fee and commission income less fee and commission expense
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 results and other results
Operating costs	Staff costs, general and administrative expenses and depreciation and amortisation
Net operating income	Banking income - operating costs
Provisions and impairments	Provisions or reversal of provisions, impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates and impairment or reversal of impairment on non-financial assets

Balance Sheet / Liquidity

Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as nontradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Securities portfolio	Securities (bonds, shares and other variable-income securities) booked in the trading portfolios, at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost.
Due to customers Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100].
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
Total Customer Funds	Deposits, other customer funds, debt securities placed with clients and off-balance sheet customer funds.
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.

Asset Quality and Coverage Ratios

Overdue loans ratio	Ratio of overdue loans to total credit.
Overdue loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of risk	Ratio of credit risk impairment charges accounted in the period to gross customer loans.
Non-performing loans	Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment.
Non-performing loans ratio	Ratio of non-performing loans to the sum of total credit, deposits with banks and Loans and advances to banks
Non-performing loans coverage ratio	Ratio of impairment on customer loans and loans and advances to banks (on balance sheet) to non-performing loans.

GLOSSARY

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.

€ million: million euros

€ billion: billion euros

pp: percentage points

bps: basis points

YoY: year-on-year