

NOVO BANCO GROUP ACTIVITY AND RESULTS

1st Half 2020

(Unaudited financial information)

“Alongside the Bank's restructuring process in recent years, it is worth highlighting NOVO BANCO's continued support to Portuguese companies and families.”

António Ramalho

HIGHLIGHTS

- **NOVO BANCO's recurrent net income of +€34.0mn** (Mar.20: -€75.1mn), demonstrating the Group's underlying profitability and future sustainability, representing an inversion of the last quarter's negative results.
- **Reduction of non-performing loans (NPL) ratio to 10.2%**, close to a single digit ratio for the first time in the lifetime of the Bank, an important mark given that in 2016 had an unsustainable NPL ratio of 33.4%.
- **Devaluation of the restructuring funds (€260.6mn)** in response to the SREP Bank's decision letter from the ECB.

POSITIVE PERFORMANCE OF RESULTS

- **NOVO BANCO increased its recurrent core operating income to €162.2mn (+7.6% YoY)**, resulting from operating costs optimisation and stable commercial banking income despite the current environment impacted by the context that adversely affected commissions.
- **Progress to sustainable profitability**, despite the effects of the pandemic on the level of commissions, the recurrent commercial banking income reached €387.8mn, increasing by +0.3% compared to the 1st half of 2019. **Net interest margin rose at €251.2mn (+6.5% YoY)**, an evolution that offset the lower level of fees in services to customers (**Jun.20: €136.6mn**; Jun.19: €150.7mn), reflecting the effects of the confinement caused by the COVID-19 pandemic that paralysed the economy.
- Continued focus on cost structure optimisation, while investing in the core business and in Digital transformation. **Recurrent operating costs decreasing -4.4% to €225.6mn** (Jun.19: €235.9mn).

POSITIVE PERFORMANCE OF THE ACTIVITY

- Comparing to the 1st half of 2019, the **balance sheet customer funds increased +3.1%, or €908mn**, with **deposits growing by 3.5%** in the 1st half of 2020, +€972mn, evidencing customer's confidence.
- Liquidity and capital ratios allowed for significant credit growth: **Recurrent loan volumes increased by +5.2% YoY (+€1,246mn)**, building on the positive trend achieved during year 2019 (+5.6%; +€1,303mn).
- **Annual reduction of Legacy assets -17.4% (-€782mn)**, across all asset categories. Continuing to execute the strategy to reduce non-performing loans (NPL) that decreased by -€310mn in the 1st half to €3,120mn (-€3,148mn comparing to Jun.19), reflecting a **decrease in NPL ratio from 11.8% in Dec.19 to 10.2% in Jun.20**. **The NPL ratio of the recurrent activity was 3.3%** (Dec.19: 3.6%).

CAPITAL, NET INCOME FOR THE PERIOD, CCA

The Bank ended the first half **adequately capitalised and with strong liquidity, which leaves it well positioned** to continue supporting its retail and corporate customers.

- **Legacy and restructuring**

NOVO BANCO Group's results and activity, in the 1st half of 2020, were impacted by the effects of the Covid-19 pandemic as well as by the restructuring and Legacy deleveraging that presented a negative net income of -€493.7mn.

The resulting banking activity slowdown and market volatility led to an increase in the cost of risk, with impairments for credit risks being elevated by €138.3mn as a result. This elevated level of impairment is expected to continue in the coming quarters.

In the 1st half 2020, there were also extraordinary losses of €260.6mn in the restructuring funds, and a €26.9mn increase in provisions for restructuring.

- **Contingent Capital Agreement**

As a result of the Legacy activity losses in the amount of -€493.7mn, which reflect the continuation of the deleveraging process of loans, real estate and other legacy exposures that were on the Bank's balance sheet in 2016, NOVO BANCO estimates, at this date and for this period of six months, a receivable amount of €176mn under the Contingent Capital Agreement.

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 effects of the COVID-19 pandemic. In the Legacy activity the Bank pursued its strategy of reducing non-performing assets.

As in 2019, NOVO BANCO discloses its 1st half 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 1st half of 2020, NOVO BANCO Recurrent reported a positive net income of €34.0mn. It is worth noting the increase in the commercial banking income with the positive performance of the net interest income (+€15.2mn; + 6.5%) offsetting the decrease in commissions (-€14.1mn), denoting the capacity to generate revenue despite the current environment, impacted by the pandemic.

Income Statement	Recurrent			
	30-Jun-19	30-Jun-20	Change	
			absolute	%
Net Interest Income	236.0	251.2	15.2	6.5%
+ Fees and Commissions	150.7	136.6	- 14.1	-9.4%
= Commercial Banking Income	386.7	387.8	1.1	0.3%
+ Capital Markets Results	47.9	- 6.5	- 54.4	...
+ Other Operating Results	- 20.8	- 23.3	- 2.6	-12.3%
= Banking Income	413.9	358.0	-55.9	-13.5%
- Operating Costs	235.9	225.6	-10.3	-4.4%
= Net Operating Income	178.0	132.4	-45.6	-25.6%
- Net Impairments and Provisions	68.2	98.0	29.8	43.6%
Credit	67.2	108.3	41.1	61.2%
Securities	- 0.9	1.4	2.3	...
Other Assets and Contingencies	2.0	- 11.7	- 13.7	...
= Income before Taxes	109.7	34.4	- 75.3	-68.7%
Corporate Income Tax and Special Tax on Banks	-5.5	1.8	7.3	...
= Income after Taxes	115.3	32.6	- 82.6	-71.7%
- Non-Controlling Interests	1.9	-1.4	- 3.2	...
= Net Income for the period	113.4	34.0	- 79.4	-70.0%

Net interest income increased by +€15.2mn compared to Jun.19, to €251.2mn (+6.5%), benefiting from the positive contribution of the cost of funding optimisation measures implemented, the expansion of the loan volume, the positive evolution of the securities and other assets margin, and continued focus on pricing policy.

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	30-Jun-19			2019			30-Jun-20		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	34 197	1.90%	326	35 237	1.86%	666	36 943	1.79%	333
Customer Loans	23 439	2.29%	270	23 902	2.24%	543	24 478	2.14%	265
Money Market Placements	916	-0.02%	0	1 056	0.01%	0	2 595	-0.03%	0
Securities and Other Assets	9 841	1.15%	57	10 279	1.18%	123	9 869	1.39%	69
INTEREST EARNING ASSETS AND OTHER	34 197	1.90%	326	35 237	1.86%	666	36 943	1.79%	333
INTEREST BEARING LIABILITIES AND OTHER	34 197	0.50%	87	35 237	0.48%	172	36 943	0.42%	79
NIM / NII <small>(without stage 3 impairment adjustment)</small>		1.39%	240		1.38%	494		1.36%	255
Stage 3 impairment			- 4			- 3			- 3
NIM / NII		1.37%	236		1.37%	491		1.35%	251

Compared with 1st half 2019, there was an increase in the average volumes of the loans 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 2.14%. The assets average interest rate decreased to 1.79% from 1.90%. The liability management measures performed in 2018 and 2019 led to the reduction of the average cost of funding from 0.50% to 0.42%. The net interest margin was 1.35%, slightly below the margins achieved in 2019 and at the end of the 1st half 2019.

Fees and commissions on banking services contributed +€136.6mn, which compares with +€150.7mn in 30 June 2019 (-9.4%). The decrease was uniform across all types of products as a result of the effects of the pandemic.

Commercial banking income grew to +€387.8mn (Jun.19: +€386.7mn), despite the effects of the crisis due to the Covid-19 pandemic.

The **Capital markets results** totalled -€6.5mn due to losses related to interest rate swaps used in the hedging of sovereign debt securities. The securities portfolio amounts to circa €11.5bn.

About €6.3bn 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 gain on this portfolio was €331mn, which decreased by €57mn to €274mn as a result of market volatility in the 1st half 2020. As part of the portfolio is protected by interest rate swaps, part of the losses related to hedging are taken through profit and loss account (-€78.7mn).

Operating costs totalled €225.6mn, a decrease of -4.4% YoY, which notwithstanding the investment in the core business and in the digital transformation, reflects the continued cost structure optimization measures.

Core operating income (commercial banking income deducted from operating costs) reached +€162.2mn, +7.6% compared with 1st half 2019.

The **cost of risk** considering the credit impairment was 87bps. The additional general provisions of impairments for credit risks related to the Covid-19 (€116.0mn; calculated on a collective basis) are not allocated neither to Legacy nor Recurrent activity.

ACTIVITY

In the 1st half 2020, assets increased by €751mn (+1.8%), with net customer loans growing by 2.6% (+€626mn) compared to Dec.19, and a growth of +5.5% (+€1,275mn) compared to Jun.19, building on the positive trend already achieved in 2019 (+5.7%; +€1 270mn). The growth in corporate loans reflects the continued support to domestic companies, across all economic sectors, with a special focus on small and medium-sized enterprises (SMEs).

	30-Jun-19	31-Dec-19	30-Jun-20	YTD Change	
				absolute	%
Customer loans (net)	23 086	23 735	24 361	626	2.6%
Real estate	325	307	311	4	1.3%
Other assets	15 793	16 772	16 892	121	0.7%
Total Net Assets	39 204	40 814	41 564	751	1.8%
Total Liabilities and Equity	39 204	40 814	41 564	751	1.8%

The recurrent asset quality indicators showed an improvement as the NPL ratio reduced to 3.3% and the coverage ratio increased +5.0pp.

CUSTOMER LOANS	30-Jun-19	31-Dec-19	30-Jun-20	YTD Change	
				absolute	%
Customer Loans (gross)	23 790	24 380	25 036	655	2.7%
Corporate	12 836	12 925	13 678	753	5.8%
Residential Mortgage	9 616	10 100	10 083	- 16	-0.2%
Consumer finance and other	1 338	1 355	1 274	- 81	-6.0%
Non-Performing Loans (NPL)*	1 383	946	921	- 24	-2.6%
Impairment	704	645	674	30	4.6%
NPL Ratio*	5.6%	3.6%	3.3%	-0.3 p.p.	...
NPL coverage*	50.9%	68.3%	73.3%	5.0 p.p.	...
Cost of Risk (bps)	56	91	87	- 5	...

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

NOVO BANCO LEGACY

NOVO BANCO Legacy reported a loss of -€493.7mn. The losses resulted from the independent assessment of the restructuring funds (-€260.6mn) and the provision for restructuring (€26.9mn), which together, amount to 58% of the losses presented by NOVO BANCO Legacy.

NOVO BANCO has, in its securities portfolio, investments in restructuring funds, most of which are covered by the Contingent Capital Agreement. In compliance with the guidance issued by the European Central Bank, the Bank obtained an independent valuation of its exposure on these funds. NOVO BANCO will keep monitoring this area as the impact of the pandemic on the Portuguese economy becomes clearer.

In the 1st half of 2020, NOVO BANCO completed the independent valuation of the funds. These funds are “level 3” assets according to the fair value hierarchy of IFRS 13 (quotations provided by third parties whose inputs used are unobservable in the market), NOVO BANCO requested an independent valuation from an international consulting firm that worked with reputable real estate consulting companies. The valuation resulted in a market value of €557.2mn for the total investment held in these assets, leading to a loss of -€260.6mn in the 1st half of 2020.

Income Statement	Legacy			
	30-Jun-19	30-Jun-20	Change	
			absolute	%
Net Interest Income	26.5	19.6	- 6.9	-26.1%
+ Fees and Commissions	1.6	- 0.3	- 1.9	...
= Commercial Banking Income	28.1	19.3	- 8.9	-31.5%
+ Capital Markets Results	- 37.7	- 28.6	9.1	24.1%
+ Other Operating Results	- 82.5	- 31.6	50.9	61.7%
= Banking Income	-92.1	-41.0	51.1	55.5%
- Operating Costs	7.2	4.5	-2.7	-38.0%
= Net Operating Income	-99.3	-45.4	53.9	54.3%
+ Restructuring funds - independent valuation	0.0	- 260.6	-260.6	...
- Net Impairments and Provisions	446.7	137.3	-309.4	-69.3%
Credit	99.5	65.2	- 34.3	-34.5%
Securities	- 3.7	- 0.1	3.6	97.0%
Other Assets and Contingencies	351.0	72.2	- 278.7	-79.4%
= Income before Taxes	-546.0	-443.3	102.8	18.8%
Corporate Income Tax and Special Tax on Banks	-16.6	50.6	67.3	...
= Income after Taxes	-529.4	-493.9	35.5	6.7%
- Non-Controlling Interests	-15.9	-0.1	15.7	99.2%
= Net Income for the period	-513.5	-493.7	19.8	3.8%

There are no liabilities directly allocated to the legacy activity, therefore the funding costs for legacy assets are calculated based on the Group's average balance sheet funding rate (0.42%).

NOVO BANCO Legacy assets decreased by -€782mn (-17.4%) compared to Dec.19, underpinned by reductions in the net loan book of circa -€158mn (-10.8%), real estate assets -€129mn (-15.5%), and in other assets, that include restructuring funds, in -€495mn (-22.6%).

mn€

	30-Jun-19	31-Dec-19	30-Jun-20	YTD Change	
				absolute	%
Customer loans (net)	2 089	1 467	1 308	- 158	-10.8%
Real estate	1 232	829	700	- 129	-15.5%
Other assets	6 634	2 186	1 692	- 495	-22.6%
Total Net Assets	9 955	4 482	3 700	- 782	-17.4%
Total Liabilities and Equity	9 955	4 482	3 700	- 782	-17.4%

mn€

CUSTOMER LOANS	30-Jun-19	31-Dec-19	30-Jun-20	YTD Change		
				absolute	%	
Customer Loans (gross)	5 133	2 675	2 400	- 275	-10.3%	
Corporate	4 683	2 307	2 037	- 270	-11.7%	
Residential Mortgage	211	165	161	- 4	-2.2%	
Consumer finance and other	239	203	202	- 1	-0.6%	
Non-Performing Loans (NPL)*	4 885	2 485	2 199	- 286	-11.5%	
Impairment	3 044	1 208	1 091	- 116	-9.6%	
NPL Ratio*	88.7%	81.3%	79.0%	-2.3	p.p.	...
NPL coverage*	63.9%	51.7%	53.1%	1.5	p.p.	...
Cost of Risk (bps)	388	1 515	543	-972	...	

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

NOVO BANCO GROUP RESULTS

NOVO BANCO Group reported in the 1st half of 2020 a net loss of -€555.3mn, justified in 91% by losses of (i) -€260.6mn as a result of the independent assessment of restructuring funds, (ii) -€138.3mn of additional impairment for credit as a result of the Covid-19 pandemic, (iii) -€78.7mn related to the interest rate risk hedge of Portuguese sovereign debt securities and (iv) -€26.9mn to reinforce the provision for restructuring. However, it is worth noting the combined activity results show year-on-year improvements – an increase in core operating income (+3.1%) resulting from an increase in the net interest income (+3.2%), and a reduction of operating costs (-5.4%), and an increase of operational results (+10.5%).

INCOME STATEMENT	30-Jun-19	30-Jun-20	Change	
			absolute	%
Net Interest Income	262.5	270.8	8.3	3.2%
+ Fees and Commissions	152.3	136.3	- 16.1	-10.6%
= Commercial Banking Income	414.8	407.1	- 7.8	-1.9%
+ Capital Markets Results	10.2	- 35.1	- 45.3	...
+ Other Operating Results	- 103.3	- 54.9	48.3	46.8%
= Banking Income	321.8	317.0	- 4.7	-1.5%
- Operating Costs	243.1	230.1	- 13.0	-5.4%
= Net Operating Income	78.7	87.0	8.3	10.5%
+ Restructuring funds - independent valuation	0.0	- 260.6	- 260.6	...
- Net Impairments and Provisions	514.9	351.3	- 163.7	-31.8%
Credit	166.7	289.5	122.8	73.7%
Securities	- 4.7	1.2	5.9	...
Other Assets and Contingencies	353.0	60.5	- 292.4	-82.8%
= Income before Taxes	- 436.3	- 524.9	- 88.6	-20.3%
- Corporate Income Tax	- 49.3	4.5	53.8	...
- Special Tax on Banks	27.1	27.4	0.3	1.1%
= Income after Taxes	- 414.1	- 556.8	- 142.7	-34.5%
- Non-Controlling Interests	- 14.0	- 1.5	12.5	89.3%
= Net Income for the period	- 400.1	- 555.3	- 155.2	-38.8%

The most relevant aspects of the combined activity during the 1st half of 2020 include the following:

- Commercial banking income reached +€407.1mn (-1.9% YoY). The increase in net interest income (+3.2%), was not enough to offset the decrease in fees and commissions (-10.6%);
- Capital markets results were negative at -€35.1mn, reflecting the resulting volatility in the financial and capital markets in the 1st half of 2020, partly offset by gains on sale of sovereign debt securities;
- Operating costs decreased by -5.4% year-on-year, to €230.1mn, underpinned by the improvements made in simplifying processes and structure optimisation, with the consequent reduction in the number of branches and employees;
- The provision charge in the period, totalling €351.3mn, is composed by credit impairments amounting to €289.5mn (of which, €138.3mn reflects the update of IFRS 9 models related to potential impacts in the clients due to the effects of the Covid-19 pandemic), €60.5mn for other assets and contingencies, and €1.2mn for securities;

- The cost of risk was 211bps. Excluding the above-mentioned impairment related to the expected impact of the Covid-19 pandemic, the cost of risk in the period was 110bps.

Net Interest Income

The reduction in the assets average interest rate of 6bps YoY (from 1.82% to 1.76%) was in line with the reduction of 8bps of the liabilities average interest rate, that contributed to a slight increase in the net interest margin by 1bp year-on-year (from 1.30% to 1.31%).

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	30-Jun-19			2019			30-Jun-20		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	40 049	1.82%	367	40 344	1.82%	745	40 738	1.76%	362
Customer Loans	28 777	2.07%	299	28 558	2.08%	601	27 054	2.07%	284
Money Market Placements	1 367	1.36%	9	1 442	1.32%	19	2 896	0.63%	9
Securities and Other Assets	9 906	1.18%	59	10 344	1.19%	125	10 788	1.27%	69
INTEREST EARNING ASSETS AND OTHER	40 049	1.82%	367	40 344	1.82%	745	40 738	1.76%	362
INTEREST BEARING LIABILITIES	37 727	0.53%	100	37 960	0.51%	196	39 579	0.44%	87
Customer Deposits	27 931	0.36%	50	27 949	0.34%	97	28 611	0.28%	40
Money Market Funding	8 724	0.30%	13	8 931	1.12%	25	9 877	0.22%	11
Other Liabilities	1 073	6.72%	36	1 080	6.68%	73	1 091	6.64%	37
OTHER NON-INTEREST BEARING LIABILITIES	2 322	-	-	2 383	-	-	1 159	-	-
INTEREST BEARING LIABILITIES AND OTHER	40 049	0.50%	100	40 344	0.48%	196	40 738	0.42%	87
NIM / NII <small>(without stage 3 impairment adjustment)</small>		1.33%	267		1.34%	549		1.33%	275
Stage 3 impairment			- 5			- 9			- 4
NIM / NII		1.30%	262		1.32%	541		1.31%	271

The average rate on customer loans, the main component of financial assets (66.4%), was 2.07%. Regarding liabilities, the average balance of deposits was €28.6bn, with an average interest rate of 0.28%. The Group therefore continued to increase the spread between the rate on interest earning assets (1.82%; Dec.19: 1.82%) and the cost of liabilities (0.42%; Dec.19: 0.48%).

Fees and Commissions

Fees and commissions on banking services contributed +€136.3mn (-10.6%), which compares with +€152.3mn on 30 June 2019.

FEES AND COMMISSIONS	30-Jun-19	30-Jun-20	Change	
			absolute	%
Payments Management	58.2	53.2	-5.0	-8.5%
Commissions on Loans, Guarantees and Similar	50.7	45.4	-5.3	-10.4%
Asset Management and Bancassurance	33.5	28.8	-4.7	-14.1%
Advising, Servicing and Other	10.0	8.8	-1.1	-11.3%
TOTAL	152.3	136.3	-16.1	-10.6%

In the 1st half of 2020 there was a general decrease in the fees and commissions reflecting lower levels of transactions and general banking activity in Portugal negatively impacted by Covid-19 pandemic effects.

Capital Markets and Other Operating Results

The **Capital markets results** totalled -€35.1mn, with year on year comparison (-€45.3mn) justified by the losses related to interest rate swaps used in the hedging of sovereign debt securities. The securities portfolio amounts to circa €11.5bn and is aligned with NOVO BANCO strategy in generating net interest income and with the DGComp commitments.

About €6.3bn of the 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 €331mn, which decreased by €57mn to €274mn as a result of market volatility in the 1st half of 2020. As part of the portfolio is protected by interest rate swaps, part of the losses related to hedging are taken through profit and loss account (-€78.7mn).

Operating Costs

Operating costs show a year-on-year reduction of -5.4%, reflecting the optimisation and simplification of organisational structure and processes.

OPERATING COSTS	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20	Change	
						31-Mar-20 / 31-Mar-19	
						absolute	%
Staff Costs	157.0	142.8	133.9	133.4	129.2	- 4.2	-3.2%
General and Administrative Costs	118.2	101.0	99.1	92.7	83.5	- 9.1	-9.8%
Depreciation	29.0	21.4	11.2	17.0	17.3	0.3	1.7%
TOTAL	304.2	265.2	244.2	243.1	230.1	- 13.0	-5.4%

Staff costs amounted to €129.2mn (-3.2% YoY), with an associated headcount reduction of 138 employees compared to 30 June 2019. As at 30 June 2020, NOVO BANCO Group had 4,855 employees (4,993 on 30 June 2019).

General and administrative costs dropped by 9.8% year-on-year, to €83.5mn. This reduction reflects the continued rationalisation and streamlining of the Bank's internal business processes.

As at 30 June 2020 the branch network comprised 386 units (401 on 30 June 2019).

Impairments and Provisions

NOVO BANCO Group increased provisions by €351.3mn (-€163.7mn less than on 30 June 2019), of which €289.5mn for credit, €60.5mn for other assets and contingencies and €1.2mn for securities.

NET IMPAIRMENTS AND PROVISIONS	30-Jun-19	30-Jun-20	Change	
			absolute	%
			Customer Loans	166.7
Securities	-4.7	1.2	5.9	...
Other Assets and Contingencies	353.0	60.5	- 292.4	-82.8%
TOTAL	514.9	351.3	- 163.7	-31.8%

The economic slowdown as a result of the evolution of the pandemic inevitably led to an increase in the cost of risk, with impairments for credit risks being additionally increased by €138.3M as a result of updating IFRS9 models 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, with emphasis on the exporting SMEs, and those that focus on innovation of their products, services or production systems.

CUSTOMER LOANS	30-Jun-19	31-Dec-19	30-Jun-20	YTD Change	
				absolute	%
				mn€	
Loans to corporate customers	17 519	15 232	15 715	483	3.2%
Loans to Individuals	11 404	11 823	11 720	- 102	-0.9%
Residential Mortgage	9 827	10 264	10 244	- 20	-0.2%
Other Loans	1 577	1 558	1 476	- 82	-5.3%
Customer Loans (gross)	28 923	27 055	27 436	381	1.4%
Provisions	3 748	1 852	1 882	29	1.6%
Customer Loans (net)	25 175	25 202	25 554	352	1.4%

Gross customer loans increased by +€381mn relative to Dec.19. The increase in loans to corporate customers in the 1st half of 2020 includes a reduction of -€286mn of non-performing loans in the legacy activity. In the recurrent activity, loan volumes increased by +2.7%, with improvements in the corporate portfolio of +5.8%.

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

ASSET QUALITY AND COVERAGE RATIOS	30-Jun-19	31-Dec-19	30-Jun-20	YtD Change	
				absolute	%
				mn€	
Overdue Loans > 90 days	3 228	1 083	1 009	- 75	-6.9%
Non-Performing Loans (NPL)*	6 268	3 430	3 120	- 310	-9.0%
Overdue Loans > 90 days / Customer Loans (gross)	11.2%	4.0%	3.7%	-0.3 p.p.	
Non-Performing Loans (NPL) * / Customer Loans (gross) + Deposits with banks and advances to banks (gross)	20.7%	11.8%	10.2%	-1.6 p.p.	
Credit Provisions / Customer Loans	13.0%	6.8%	6.9%	0.0 p.p.	
Coverage of Overdue Loans > 90 days	116.1%	171.0%	186.6%	15.6 p.p.	
Coverage of Non-Performing Loans *	61.0%	56.2%	62.8%	6.6 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 3.7% and 10.2%, respectively, on 30 June 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 62.8% (+6.6pp compared to Dec.19).

Provisions for credit amounted to €1.9bn, 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 €11.5bn on 30 June 2020 and represented 25.5% of assets.

net of impairment				mn€	
Securities portfolio	30-Jun-19	31-Dec-19	30-Jun-20	YTD Change	
				absolute	relative
Portuguese sovereign debt	4 421	4 071	3 465	- 606	-14.9%
Other sovereign debt	3 720	3 750	3 517	- 233	-6.2%
Bonds	2 749	2 883	3 588	705	24.5%
Other	1 615	1 337	961	- 377	-28.2%
Total	12 505	12 042	11 531	- 511	-4.2%

FUNDING

As at 30 June 2020 total customer funds amounted to €35.0bn with deposits, which represent 82.2% of total funding, having a 3.4% increase year-on-year.

				mn€	
TOTAL FUNDS	30-Jun-19	31-Dec-19	30-Jun-20	YTD change	
				absolute	%
Deposits	27 821	27 835	28 793	959	3.4%
Other Customer Funds ⁽¹⁾	463	566	382	- 183	-32.4%
Debt Securities ⁽²⁾	682	708	699	- 9	-1.3%
Subordinated Debt	432	415	432	17	4.1%
Sub -Total	29 399	29 523	30 307	784	2.7%
Off-Balance Sheet Funds	5 239	4 925	4 734	- 191	-3.9%
Total Funds	34 638	34 448	35 041	593	1.7%

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

(2) Includes funds associated to consolidated securitisation operations.

LIQUIDITY

During the 1st half of 2020, aiming to improving profitability, 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 €776mn compared to Dec.19, reaching a total of €29.2bn.

In terms of assets, in the 1st half of 2020 and in relation to the end of 2019, NOVO BANCO increased by +1.4% the net loan book, and the amount invested in the securities portfolio decreased by 4.2%.

The portfolio of eligible assets for rediscount with the European Central Bank totalled €15.8bn (net of haircuts) at the end of the 1st half 2020, that compares with €15.3bn in Dec.2019. Adding other HQLA non-eligible for ECB rediscount purposes, at the end of the June 2020, the Bank maintained a liquidity buffer above €11bn, largely composed of highly liquid assets (83%).

In addition, it is worth noting the early May €1,035mn capital injection from the Resolution Fund under the Contingent Capital Agreement.

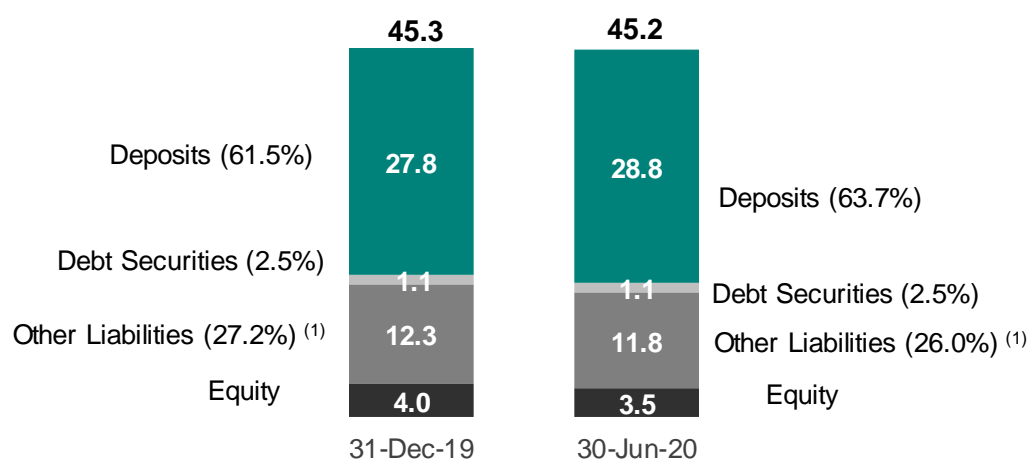
NOVO BANCO thus maintained a comfortable liquidity position, which is reflected in its Liquidity Coverage Ratio (LCR) of 155% at the end of the 1st half of 2020 (143% at the end of 2019).



Customer deposits remain the main source of balance sheet funding, accounting for 69.1% of total liabilities and 63.7% of total assets.

FUNDING STRUCTURE

(figures in billion €)



(1) Includes ECB funding

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's 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 Capital Agreement. The compensation amount to be requested relating to 2020, will consider the losses incurred on the assets covered by the Contingent Capital Agreement, as well as the minimum capital condition applicable at the end of 2020 under the Contingent Capital Agreement. While NOVO BANCO continues to be protected, the level of protection of CET1 is set at 12% from January 2020.

As at 30 June 2020 the provisional CET1 ratio was 12.0% and the provisional total solvency ratio was 13.5%, 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.

CAPITAL RATIOS (CRD IV/CRR)		mn€		
		31-Dec-19 <i>(Phased-in)</i>	30-Jun-20 * <i>(Phased-in)</i>	30-Jun-20 * <i>(fully loaded)</i>
Risk Weighted Assets	(A)	29 579	28 522	28 355
Own Funds				
Common Equity Tier 1	(B)	3 996	3 423	3 216
Tier 1	(C)	3 998	3 424	3 217
Total Own Funds	(D)	4 475	3 852	3 629
Common Equity Tier 1 Ratio	(B/A)	13.5%	12.0%	11.3%
Tier 1 Ratio	(C/A)	13.5%	12.0%	11.3%
Solvency Ratio	(D/A)	15.1%	13.5%	12.8%
Leverage Ratio		8.4%	7.3%	6.8%

* preliminary

COMMERCIAL ACTIVITY

In the 1st half of 2020, the global economic environment was affected by the COVID-19 pandemic, with an international impact, which resulted in a slowdown of economic activity, with consequences in the banking sector, through the slowdown in the main lines of business.

Portugal was not immune and regarding the commercial activity, the Bank monitors the impacts of the context on the activity of its customers, which became particularly acute as from March onwards. This led NOVO BANCO to act in a rapid and flexible mode, standing at the forefront of the response, available to serve its clients within the challenging environment.

Corporate Banking

NOVO BANCO has strong roots in the Portuguese business community, as shown by its market shares, namely in corporate loans to non-financial companies, where its share reaches 16.0%, and in deposits, where it stands at 14.3%¹.

Thus, considering the impacts of the Covid-19 pandemic, for the corporate client's segment, NOVO BANCO acted from the first moment as a strategic partner in four key areas:

- through the financial support to small and medium-sized companies due to the pandemic, having until the 30th of June signed agreements under the *Capitalizar* Credit Line 2018-COVID-19 in an amount totaling €155mn, and €794mn under the four sectoral Credit Lines for Support to the Economy, for a total of 3,283 customers;
- in response to requests, granted loan moratoriums to more than 2,000 customers;
- through the creation of the *NB Empresas Line - Advancing Lay-off Funds*, which allows advancing to companies that adhered to the simplified Lay-off regime, the amounts for payment of salaries, that are receivable from the Social Security Institute;
- focus on the digital transformation of its processes, investing in remote relationship and signature tools to continue to address the needs of its clients quickly but in compliance with the social distancing restrictions imposed by Covid-19 situation.

NOVO BANCO's objective is to maintain a competitive position in the corporate segment, in particular supporting the export sector and the most dynamic and innovative sectors. To this end, it will continue to invest in the development of digital platforms and in streamlining processes that improve the customer service experience, directing its products and services to innovative solutions that respond to the needs of companies, reinforcing its role as a partner of the Portuguese business community.

In the 1st half of 2020, in the medium-sized companies and corporate segment, medium and long-term credit recorded a production of €1.4bn, thus NOVO BANCO maintained its reference role in supporting the development of companies and economic activity in Portugal.

In Trade Finance, NOVO BANCO provides a wide range of products and specialised advisory 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 circa 19.0%². In 2020 NOVO BANCO was awarded for the second consecutive year 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.

¹ Non-Financial Companies resident in the Monetary Union, with contracts in Euro - April 2020

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

In June 2020 the Bank was awarded “Best Sub-custodian Bank 2020” in Portugal, by the same magazine. For the award, Global Finance magazine considered among other the following main criteria: the relationship with customers, the quality of the services provided, efficiency in handling operations and the continued focus on the development of this business lines.

NOVO BANCO, as a reference and proximity bank for the domestic business sector, especially for SMEs, develops in partnership with SIC television channel and Expresso newspaper, the “Our Champions project” (“Os Nossos campeões”) aimed to make known the success stories of domestic companies.

Considering the constraints caused by the pandemic situation of COVID-19, the project adopted a webinar format respecting the directives from the health authorities and allowing achieving a larger geographical audience.

The first Summit, in this new format, was dedicated to the Agri-food sector and was held on 19 May, which was followed, still during the 2nd quarter, by the Summit on the Tourism sector, on 9 June.

As to the assessment made by the corporate clients of NOVO BANCO and its team, the level of "Customer Service Satisfaction" reached 92% (percentage of responses of 8 to 10 in a scale of 1 to 10) in June 2020. 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, as well as the Net Promoter Score (NPS) since 2018.

Retail Banking

In retail banking NOVO BANCO's response at the operational level, to the constraints and limitations resulting from the Covid-19 pandemic, 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), 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.

The current market context had an impact in consumer credit, despite some signs of a reversal of the trend in May and June. NOVO BANCO's positioning as an expert in Credit solutions, with an excellent level of service, allowed it to maintain the level of consumer credit. It is worth noting the Non-financial Offering, where the Bank maintained the regular launch of exclusive and thematic offers, with products of several categories that in May and June reached record production.

In Residential mortgage loans, the real estate market's slowdown led to a general contraction in lending, affecting production up to the 2nd quarter of 2020, which dropped by roughly 20% compared to 2019. In June there was an inversion of the downward trend in production, with a growth of 5% compared to May.

The Clients' recognition of the focus placed by NOVO BANCO on their wellbeing is reflected in the acquisition of customers and in widespread increase in several treasury and day-to-day management products for the Portuguese families, even in the current adverse scenario.

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 *NB360º 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.

The appearance of COVID-19 and the consequent declaration of a state of emergency, at the end of the first quarter, imposed conditions to the evolution of the second quarter. In the business segment, the mandatory doors closing for most corporate customers during the month of April and its progressive opening in May and June, created pressure on the revenue side and a need for support in treasury. The proximity of NOVO BANCO to its customers allowed from the first hour to inform and offer appropriate solutions for each case, the result of which is visible in the growth of the loan portfolio by 9.3% in the second quarter. In addition, the readiness and availability allowed that, at the end of June compared to the end of 2019, the number of customers in the segment grew by 3.7% and the number of service accounts grew by 4.3%.

NB DIGITAL

NOVO BANCO's Digital Transformation emerges from an increasingly broader, faster and more intense digital disruption context and with higher customer expectations.

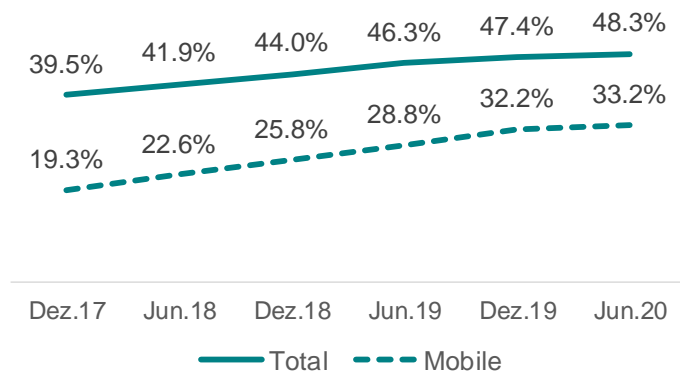
In the 1st half of 2020, NOVO BANCO continued its digital transformation, reinforcing initiatives to respond to customers in a context of mobility restrictions resulting from the impact of confinement measures, namely:

- Digital channels access by private customers and companies, to request for mortgage credit moratoriums;
- Launch of a regional Marketplace hosted on the public website www.novobanco.pt to support business customers to have or reinforce their digital presence. This platform was promoted among private customers in the region, helping to boost sales of these small companies / businesses, promoting online demand and supply in a context of confinement. This initiative continues to be extended to several regions, continuing to promote and support the local business environment;
- Initiatives to facilitate activation of the Bank's digital channels for private customers and companies, with marketing campaigns targeting different types of clients, with a set of tutorials to enable customers who use digital channels for the first time in carrying out their everyday banking operations. In parallel, several private individual customers and companies were contacted to understand the impact on their activity and adapt NOVO BANCO's response to support customers;
- Introduction of remote formalization mechanisms by digital signature and e-mail transactions for relevant products;
- Providing mobility solutions to more than 3,000 employees allowing to continue to support customers;
- Promotion of communication tools between Client and the Bank on the App (mail message, meeting scheduling and contact request);
- Streamlined the personal credit approval process requested through digital channels.

In addition to these specific initiatives, NOVO BANCO started to provide a set of structural developments:

- NB Smart App with new functions: allowing "bill split" (in MBway), functionality that divides a bill by two or more people, and order for a credit card, continuing to strengthen this digital channel with features that allow greater convenience to customers;
- Evolution of the digital home buying experience starting to test a new branch residential mortgage loan simulator, which offers an omnichannel experience and, on the other hand, provides the commercial area with a tool to make the residential mortgage loan process faster, simpler and more transparent;
- Completion of the development of a Short-Term Finance initiative, enabling relationship managers to respond immediately to the treasury needs of SME customers;
- Launch of a test phase of a fully digital and self-service credit solution for small businesses;
- Launch of a test phase of an integrated solution in the NBnetwork digital channel for account pooling, categorization of expenses and revenues, payments initiation, financial calendar and notifications;
- Development by the Data Science unit of several use cases using Artificial Intelligence to predict and model the impacts of COVID-19 on the domestic economy, add Machine Learning models to the methods of preventing money laundering, support the business (propensity for activation, inactivation, better offer), among others.

Penetration rate of active digital clients



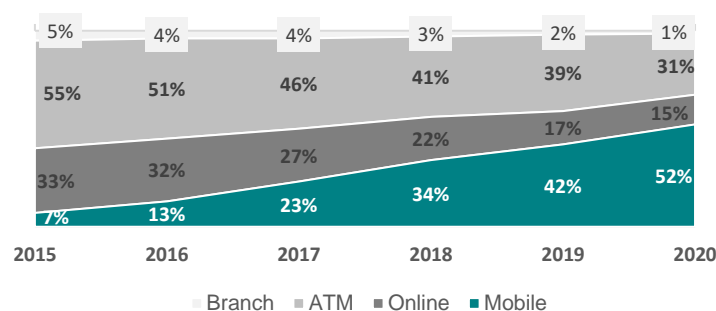
In the first half of 2020, the digital activity of NOVO BANCO Customers maintained a sustained growth pace, and in June 2020 the penetration rate for digital Customers reached 46% for Private Individual Customers, 78% for Corporate Customers and 68% for Business Customers. It is worth to note the increase of the penetration rate (across all segments) between February and April, as a result of the COVID-19 pandemic and the subsequent confinement policy.

The growth seen is leveraged in mobile banking, with penetration in this channel reaching 33% for private individuals (+4 pp YoY).

The number of active digital Customers exceeded 577 thousand (+4% YoY), of which 361 thousand were active in the NB smart app (+12% YoY), NOVO BANCO's main mobile banking application. Reference should be made to the continued leadership of the NB smart app in the ratings given by users in the Google Play and Apple App Store app stores, maintaining average ratings of 4.6 out of 5 in both, higher than the reviews for the apps of another domestic bank.

Client's contact profile

Source: Finalta



Compared to the same period last year, there was a strong increase in the number of accesses to the Bank via digital channels (+16% in the volume of logins), strongly supported by the increase in accesses via mobile channel (+24% in the volume of logins). Currently, 52% of contacts between private individual customers and NOVO BANCO are made via mobile (+8 p.p. compared to the beginning of the year). The digital channels, and in particular the mobile, thus prove to be the point of relationship par excellence with the customer, reinforcing the adoption of a “mobile digital first” strategy.

ECONOMIC ENVIRONMENT

The first half of 2020 was marked by the global outbreak of Covid-19, with the most pronounced impacts on economic activity being felt between March and April. The lockdown measures resulted in a simultaneous negative shock on supply and demand. In the Eurozone, GDP fell by 3.6% QoQ in Q1 2020, with an estimated contraction of close to 15% QoQ in Q2.

In response to the deterioration in the outlook, the main central banks accentuated the expansionary nature of monetary policy. In the USA, the Fed lowered the fed funds rate target from 1.5%-1.75% to 0%-0.25% and expanded its balance sheet, from USD 4.2 to 7 trillion. In the Eurozone, the ECB kept its benchmark interest rates unchanged (deposit facility rate at -0.5%), but significantly increased purchases of debt securities, creating new programs (PEPP, PELTRO), reinforcing existing ones (PSPP) and easing restrictions on the purchase of debt from peripheral economies. The ECB's balance sheet rose from €4.7 trillion to €6.3 trillion in the first half of 2020.

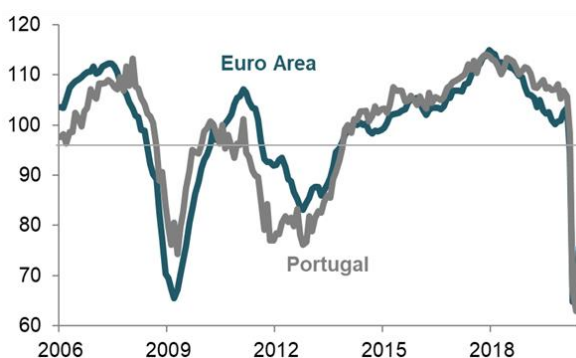
In an early stage of the crisis, the increase in risk aversion and the increased demand for liquidity translated into an appreciation of the USD, a rise of the 3-month Euribor (up to -0.16%), a decline in the yield of 10-year Bund, to a minimum of -0.81%, and a widening of credit spreads. But the aggressive responses of fiscal and monetary policies, and signs of recovery in activity, with the gradual reopening of economies, reversed those movements. The 3-month Euribor dropped from -0.38% to -0.42% in the first half as a whole. The yield of 10-year Bund rose to -0.45% at the end of June and credit spreads narrowed. After reaching a maximum of 1.4% in March, the yield of the 10-year Portuguese Government bond closed Q2 at 0.476% (0.442% at the beginning of the year), with the spread vs. Bund at 93 bps (63 bps at the beginning of the year and 134 bps at the end of Q1). The EUR recovered against the USD, to EUR / USD 1.123 at the end of June, in line with the value at the beginning of the year.

The support of expansionary monetary policies and the greater propensity to risk contributed to a strong appreciation of the stock market from the March lows. The S&P 500 and DAX indices rose 39% and 46%, respectively, since those lows, while maintaining falls 4% and 7.1% in the first half as a whole.

In Portugal, GDP decreased by 3.8% QoQ in Q1 2020 and accentuated this fall in Q2, in line with that observed in the Eurozone. The shock of the Covid-19 crisis was amplified by the above average weights of tourism, restaurants and commerce in the economic activity. In May, there was a 95% year-on-year drop in overnight stays in tourist accommodation. In addition to the impact on services, lockdown measures and falling demand also resulted in declines in industrial production (-26% YoY in May) and in exports of goods.

Temporary measures to support companies and the labor market – including default and credit guarantees, relief from tax and contributory obligations, and a simplified layoff regime, covering 1.4mn workers – mitigated the economic impacts of Covid-19. Even so, employment fell by 4.6% YTD until May. Housing prices, which grew 10.3% YoY in Q1, showed signs of relative stabilization until May. Despite a recovery in activity in May and June, the projections for the annual GDP growth in the Eurozone and Portugal have been substantially revised downwards, with a strong recession expected in 2020.

Economic Sentiment Indicator



Market Performance 30-JUN-20

Equity Market		YTD	
Dow Jones		-9.6%	
S&P 500		-4.0%	
Nasdaq		12.1%	
Euro Stoxx 50		-13.3%	
PSI 20		-15.8%	
Sovereign Bonds (Yield %)			
	2 yrs	5 yrs	
Portugal	-0.469	-0.084	
Germany	-0.687	-0.70	
United States	0.15	0.29	
Sovereign Bonds (Performance bps)			
	2 yrs	5 yrs	
Portugal	8	2	
Germany	-9	-22	
United States	-142	-140	

COVID-19

From January 2020, the COVID-19 outbreak has been spreading to all Continents, with significant 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 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 half of 2020 and, at the date of this report's release.

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 about €1.0bn in credit lines contracted with a State guarantee.

Regarding loan moratorium, by the end of June 2020, NOVO BANCO approved operations amounting to €6.8bn, comprising more than 38 thousand clients. About 67% of the amount were from companies, 30% related to Residential Mortgage Loans moratorium and the remaining related to Consumer loans and other.

NOVO BANCO is also monitoring the potential impacts and, where relevant, is taking decisions that support 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 to adapt the banking and financial offer and service model 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:

- protocolled Covid-19 credit lines to support the economy;
- public credit moratorium, under Decree-Law n. 10-J / 2020 to protect domestic companies;
- 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 for medium and long-term financing contracts outstanding, in duly justified cases, for certain industry sectors and when the debt service is duly ensured;
- 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 €6.2 billion, breakdown by 4 industry sector credit lines:
 - . €600mn - Restaurants and similar activities
 - . €200mn - Travel Agencies, Tourist Entertainment and Event organization
 - . €900mn - Tourism
 - . €4,500mn - 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;
- 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 included 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 also strengthened technological support for transactions made through electronic means of payment.

These measures aimed 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 n.10-J/2020, replying to the client requests within a response period between 24h and 48h,
- NOVO BANCO Consumer Loan moratorium | Covid-19, according to the protocol with the Portuguese Association of Banks (APB).
- a mailbox 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.

NB Marketplace

In order to support local economies and their customers, NOVO BANCO launched the NB Marketplace - a platform made available free of charge allowing customers of the business segment to open a new sales channel, and for private individual customers to buy from local suppliers from their homes.

The Bank already makes this platform available to the populations of Torres Vedras, Caldas da Rainha, Marinha Grande, Pombal, Paredes, Guimarães and Maia.

Protection of Employees and Customers:

NOVO BANCO reinforced and implemented new health safety measures for the 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, to ensure the ability to maintain service levels without disruption;
- Evaluation with the 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 communication to customers about the means to contact, conduct transactions, and contract digitally and remotely was strengthened and the customer phone service team was reinforced to cope with the increase in demand.

With regards 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 is 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 is carried out exclusively by telephone during a period of 14 days;
- In situations of branches where there is a positive case of COVID-19 infection, the affected branch will be closed for the quarantine period.

Measures to protect the mental and financial health and well-being of employees:

Regarding to the protection and well-being of its employees, NOVO BANCO provided the following support measures:

- Loan Moratoriums for both Residential mortgage loans and other loans to employees,
- Authorised overdraft on the Employee's Payroll Account with special conditions;
- Possibility of advancing 50% of the Christmas subsidy;
- Loans with special conditions to acquire computer equipment and training;
- Online psychology consults for employees;
- Online coaching for the employee and family;
- A new internal social media: a space for sharing aimed at maintaining community dynamics, engagement and sense of belonging in a context of social distancing.

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 whose mission is to build a unit to fight infectious and contagious diseases at Hospital S. João 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, as well as AMI's "Friends are for the occasions" campaign (AMI, International Medical Assistance), a fundraising and volunteer campaign to support AMI's most vulnerable beneficiaries, and the NOVO BANCO Crowdfunding platform, donations aimed at meeting needs arising from COVID-19.

Broadcast of relevant information

NOVO BANCO has been providing, since the beginning of the pandemic, specialized and technical information in the "GPS" format to support decision making in the current context and in the preparation of a post-COVID-19 environment. The topics covered range from economic and sectoral research, data science, investment trends analysis, financial and digital literacy.

These initiatives were developed both with exclusively internal resources and through partnerships with leading media entities in the domestic market. Examples of this are:

- the regional summits "Our Champions" in partnership with SIC *Notícias* (TV channel) and Expresso newspaper that took on a digital format due to the context of the pandemic;
- the information program with the radio channel TSF "We are open to information";
- the partnership with the newspaper ECO, which was embodied in a series of 12 interviews on topics as diverse as industrialization in Portugal, measures to support the economy by national governments, and e-commerce, or the impacts of COVID-19 on mobility, among others.

MAIN HIGHLIGHTS	30-Jun-19	31-Dec-19	30-Jun-20
ACTIVITY (mn€)			
Net Assets	49 159	45 296	45 169
Customer Loans (gross)	28 923	27 055	27 436
Customer Deposits	27 821	27 835	28 793
Equity	4 210	4 003	3 494
SOLVENCY			
Common EquityTier I / Risk Weighted Assets ⁽³⁾	13.5%	13.5%	12.0%
Tier I / Risk Weighted Assets ⁽³⁾	13.5%	13.5%	12.0%
Total Capital / Risk Weighted Assets ⁽³⁾	15.1%	15.1%	13.5%
LIQUIDITY (mn€)			
European Central Bank Funding ⁽²⁾	5 947	4 714	3 846
Eligible Assets for Repo Operations (ECB and others), net of haircut	15 426	15 253	15 760
(Total Credit - Credit Provision) / Customer Deposits ⁽¹⁾	91%	92%	89%
Liquidity Coverage Ratio (LCR)	130%	143%	155%
Net Stable Funding Ratio (NSFR)	106%	101%	114%
ASSET QUALITY			
Overdue Loans > 90 days / Customer Loans (gross)	11.2%	4.0%	3.7%
Non-Performing Loans (NPL) / (Customer Loans + Deposits with banks and Loans and advances to banks)	20.7%	11.8%	10.2%
Credit Provision / Overdue Loans > 90 days	116.1%	171.0%	186.6%
Credit Provision / Customer Loans (gross)	13.0%	6.8%	6.9%
Cost of Risk	1.15%	2.32%	2.11%
PROFITABILITY			
Net Income for the Period (mn€)	-400.1	-1058.8	-555.3
Income before Taxes and Non-controlling interests / Average Net Assets ⁽¹⁾	-1.9%	-2.1%	-2.4%
Banking Income / Average Net Assets ⁽¹⁾	1.3%	0.9%	1.4%
Income before Taxes and Non-controlling interests / Average Equity ⁽¹⁾	-21.2%	-22.3%	-26.7%
EFFICIENCY			
Operating Costs / Banking Income ⁽¹⁾	75.6%	113.8%	72.6%
Staff Costs / Banking Income ⁽¹⁾	41.5%	63.1%	40.8%
EMPLOYEES (No.)			
Total	4 993	4 869	4 855
- Domestic	4 728	4 648	4 646
- International	265	221	209
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 30 JUNE 2020 AND 30 JUNE 2019

thousands of Euros

	30.06.2020	30.06.2019
Interest Income	368 626	369 632
Interest Expenses	(97 816)	(107 144)
Net Interest Income	270 810	262 488
Dividend income	9 925	6 086
Fee and commission income	160 168	174 191
Fee and commission expenses	(26 341)	(27 431)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	84 826	67 210
Gains or losses on financial assets and liabilities held for trading	(71 877)	(61 183)
Gains or losses on financial assets mandatorily at fair value through profit or loss	(294 875)	(16 054)
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	(7)	(84)
Gains or losses from hedge accounting	(10 948)	(8 054)
Exchange differences	(15 636)	22 456
Gains or losses on derecognition of non-financial assets	(63)	4 604
Other operating income	51 178	93 130
Other operating expenses	(94 257)	(190 247)
Operating Income	62 903	327 112
Administrative expenses	(212 740)	(226 062)
<i>Staff expenses</i>	(129 194)	(133 410)
<i>Other administrative expenses</i>	(83 546)	(92 652)
Cash contributions to resolution funds and deposit guarantee schemes	(35 048)	(34 707)
Depreciation	(17 322)	(17 029)
Provisions or reversal of provisions	(36 951)	(84 096)
<i>Commitments and guarantees given</i>	7 326	5 720
<i>Other provisions</i>	(44 277)	(89 816)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(291 207)	(161 871)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	(1 105)	1 031
Impairment or reversal of impairment on non-financial assets	(22 019)	(270 011)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	386	945
Profit or loss before tax from continuing operations	(553 103)	(464 688)
Tax expense or income related to profit or loss from continuing operations	(4 487)	49 324
Current tax	2 710	(11 123)
<i>Deferred tax</i>	(7 197)	60 447
Profit or loss after tax from continuing operations	(557 590)	(415 364)
Profit or loss from discontinued operations	788	1 258
Profit or loss for the period	(556 802)	(414 106)
Attributable to Shareholders of the parent	(555 303)	(400 108)
Attributable to non-controlling interests	(1 499)	(13 998)
	(556 802)	(414 106)

NOVO BANCO, S.A.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2020 AND AS AT 31 DECEMBER 2019

	thousands of Euros	
	30.06.2020	31.12.2019
ASSETS		
Cash, cash balances at central banks and other demand deposits	2 937 264	1 854 081
Financial assets held for trading	744 846	748 732
Financial assets mandatorily at fair value through profit or loss	1 057 867	1 314 742
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	7 983 879	8 849 896
Financial assets at amortised cost	28 084 929	27 141 460
Securities	2 255 636	1 622 545
Loans and advances to banks	344 116	369 228
Loans and advances to customers	25 485 177	25 149 687
Derivatives – Hedge accounting	8 014	7 452
Fair value changes of the hedged items in portfolio hedge of interest rate risk	69 053	52 540
Investments in subsidiaries, joint ventures and associates	92 560	92 628
Tangible assets	783 999	889 152
Tangible fixed assets	176 144	188 408
Investment properties	607 855	700 744
Intangible assets	36 380	26 378
Tax assets	794 095	900 095
Current Tax Assets	2 003	1 628
Deferred Tax Assets	792 092	898 467
Other assets	2 536 348	3 378 492
Non-current assets and disposal groups classified as held for sale	39 973	40 255
TOTAL ASSETS	45 169 207	45 295 903
LIABILITIES		
Financial liabilities held for trading	591 569	544 825
Financial liabilities designated at fair value through profit or loss	91 329	102 012
Financial liabilities measured at amortised cost	40 005 753	39 673 649
Deposits from central banks and other banks	9 339 096	9 849 623
Due to customers	29 175 889	28 400 127
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	1 084 038	1 065 211
Other financial liabilities	406 730	358 688
Derivatives – Hedge accounting	77 477	58 855
Provisions	298 896	307 817
Tax liabilities	20 635	17 980
Current Tax liabilities	15 819	11 873
Deferred Tax liabilities	4 816	6 107
Other liabilities	584 043	586 066
Liabilities included in disposal groups classified as held for sale	5 052	1 942
TOTAL LIABILITIES	41 674 754	41 293 146
EQUITY		
Capital	5 900 000	5 900 000
Accumulated other comprehensive income	(826 928)	(702 311)
Retained earnings	(7 202 828)	(6 115 245)
Other reserves	6 143 984	5 942 501
Profit or loss attributable to Shareholders of the parent	(555 303)	(1 058 812)
Minority interests (Non-controlling interests)	35 528	36 624
TOTAL EQUITY	3 494 453	4 002 757
TOTAL LIABILITIES AND EQUITY	45 169 207	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.

€mn: million euros

€bn: billion euros

pp: percentage points

bps: basis points

QoQ: quarter-on-quarter

YoY: year-on-year