



# Results Presentation 1H 2020

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*As in 2019, NOVO BANCO discloses its first 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.*

*This document contains unaudited information for the 1st half of 2020.*

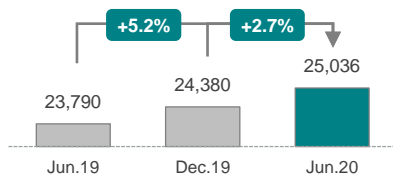
# Agenda

1. 1H20 Highlights
2. Covid-19: “Together we’re the economy”
3. Macroeconomic Environment
4. Results and Activity of 1H20
5. Appendix

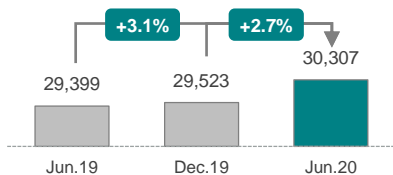
# 1H20 Highlights

“Novo Banco continues to support Portuguese companies and families...”

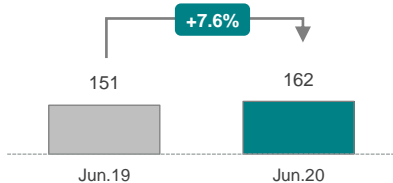
Recurrent Gross Customer Loans (€mn)



Customer Funds (€mn)



Recurrent Core Operating Income (€mn)



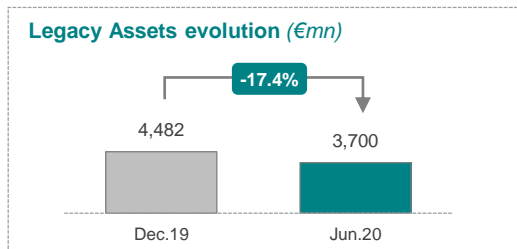
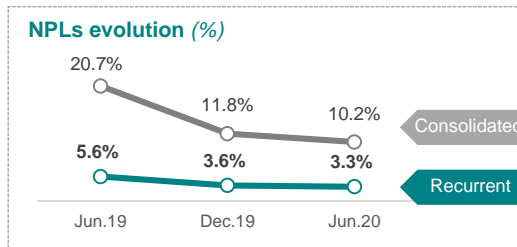
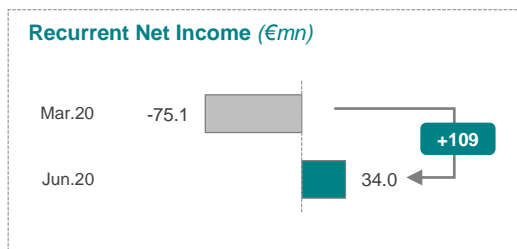
- **Recurrent customer loans growing 5.2% YoY and 2.7% YTD.**
- NOVO BANCO's position and expertise in credit solutions and its ability to quickly respond allowed it to continue the positive trend already achieved during 2019 (+5.6%), despite the adverse context.
- The YoY growth in both commercial and residential mortgage loans reflects the continued support to companies and families, with special focus on SMEs.

- **Customer funds increase 3.1% YoY (+€908mn) and 2.7% YTD, maintaining a strong liquidity position while funding loan growth.**
- As of Jun.20, Deposits accounted for 82% of total funds (up from 80% in Jun.19).

- **Recurrent core operating income increased by 7.6%, reflecting the focus on cost optimisation and stable commercial banking income.**
- Commercial banking income was stable at €388mn with Net interest income evolving positively evolution (+6.5%) offsetting the lower Fees & commissions (-9.4%), denoting the Bank's ability to generate revenues despite the pandemic context.
- Operating costs decrease 4.4% YoY, notwithstanding the investment in digital transformation.

# 1H20 Highlights

...alongside with the execution of the Bank restructuring process and legacy deleverage”



- **Recurrent net income of +€34.0mn, demonstrating the underlying profitability and future sustainability, along with a reversal of the 1Q negative results (-€75.1mn).**
- Capital Market Results totalled -€6.5mn from losses related to interest rate swaps related to sovereign debt securities hedging (-€78.7mn).
- **Reduction of NPL ratio to 10.2%**, approaching single digit ratio for the first time in the Banks's history (vs 2016 NPL ratio at 33.4%).
- NPL ratio of recurrent activity decreases to 3.3% (vs 3.6% in Dec.19).
- **Covid-19 impact** leads to an increase in the cost of risk, with **impairments for credit risk being reinforced by €138.3mn**;
- **Annual reduction of Legacy assets -17.4%** (-€782mn), across all asset categories;
- **Devaluation of the restructuring funds (€260.6mn)** in response to the SREP Bank's decision letter from the ECB.
- As a result of the **Legacy losses (-€493.7mn)**, which reflect the continued deleveraging process of loans, real estate and other legacy exposures that were on the balance sheet in 2016, NOVO BANCO estimates a receivable amount of €176mn under the CCA<sup>1</sup>.

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# Covid-19: Protection of employees, customers and community support

## Employees

- >45% of employees working remotely (2Q average);
- ~100% of the branches remained open with controlled access for protection of customers;
- Health Authorities<sup>1</sup> recommendations fully adopted at all NB's buildings & facilities;
- Provision of financial and health package to support for specific needs of employees/households;
- New internal communication channels implemented to increase the proximity among employees;
- Trainee program implemented and developed using remote access tools.

## Clients

- Current accounts for merchants and small businesses with no fees in the first 6 months;
- Fees waived namely in digital channels and POS fixed costs;
- Processes streamlined to significantly improve response times (ie: digital access);
- > 38 thousand clients with moratorium granted, with aid of streamlined processes and usage of robotics;
- Covid-19 State guaranteed loan transactions corresponding to ~€1.0bn granted;
- Health insurance was adapted to include coverage for certain Covid-19 conditions;
- Factoring payments extended for 90 days.

## Community

- Donations and adherence to initiatives:
  - APB<sup>2</sup>: to acquire 100 ventilators (€230k);
  - AEP<sup>3</sup>: to buy protective material (€30k),
  - COVID Tools Access Accelerator<sup>4</sup> (€500k);
- Prompt payment to suppliers;
- Implemented *NB Marketplace*, a free platform that provides local sales channel for the business segment;
- Multichannel communication (radio programs, publications and digital videos) with the community, sharing useful information, and economic trends and perspectives (eg: GPS, TSF – *Abertos à Informação, Os Nossos Campeões*).

# Covid-19: Supporting >38,000 clients with a total of ~€6.8bn moratorium granted

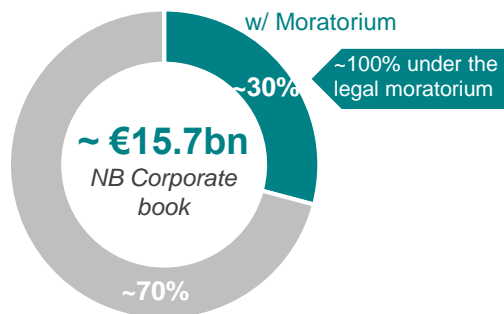
## Loan Moratorium<sup>1</sup>

(%; € bn)

% with Moratorium

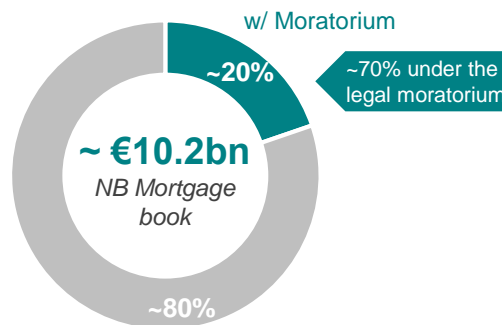
% without Moratorium

### Corporate Loans



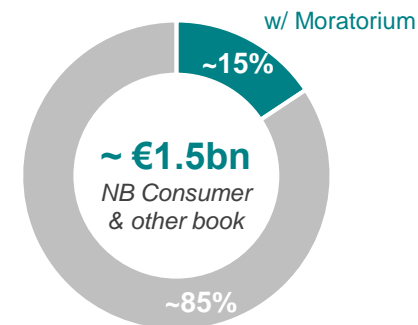
- Capital/interest payments suspended until Mar.21;
- Moratorium by sector: 19% Manufacturing; 15% Accommodation & food services; 14% Real estate; 11% Wholesale & Retail; 41% Other;
- NB total exposure to most impacted sectors by Covid-19 represents ~7% of total loan book.

### Residential Mortgage Loans



- Capital/interest payments suspended until Mar.21;
- Mortgage loans under Moratorium - Avg. LTV<sup>2</sup>: 54%.

### Consumer Loans and Other



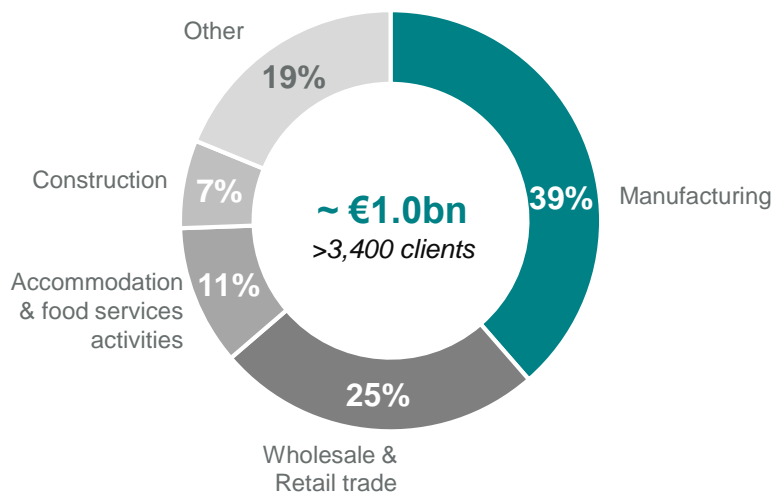
- Capital/interest payments suspended until Mar.21 (public) or during 12mths until Jun.21 (private);
- Loans to individuals under Moratorium - Avg. 6 Yrs to maturity.



# Covid-19: State guarantee lines to support companies and businesses

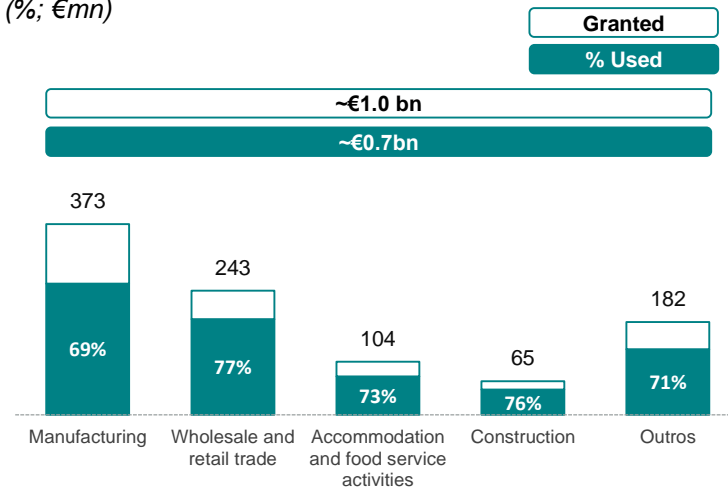
## Covid-19 Credit Lines: approved by setor<sup>1</sup>

(%; €bn)



## Covid-19 Credit Lines: Used & Granted

(%; €mn)



### Covid-19 Credit Lines represent:

- ~6% of the total Loans to Companies portfolio;
- ~70% of the approved amount already withdrawn by customers.

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# Macroeconomic Environment

## Covid-19 with a strong negative impact on the 1H20 activity

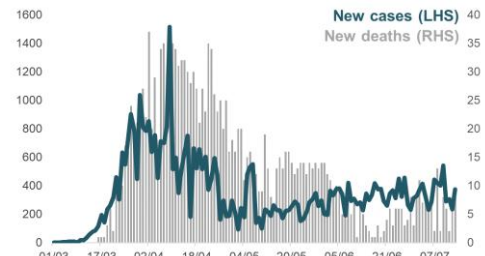
**Decrease in activity mitigated by measures to support companies and employment.**

The first half of 2020 was marked by the global Covid-19 pandemic. The containment measures resulted in a simultaneous negative shock on supply and demand, with the most pronounced impacts on activity felt in March and April.

In Portugal, GDP decreased 3.8% in the 1st quarter 2020 (vs. the 4th quarter of 2019) and accentuated this drop in the 2nd quarter, in line with that observed in the Eurozone. The shock of the Covid-19 was amplified by the above average weights of tourism, restaurants and commerce in the economic activity.

Temporary measures to support companies and the labor market – incl. default and credit guarantees, relief from tax and contributory obligations, and a simplified layoff regime, which covered 1.4 million workers - mitigated the economic impacts. Even so, employment fell by 4.6% until May (vs Dec-19).

Number of Covid-19 cases in Portugal



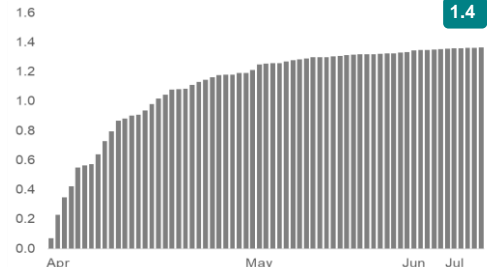
Industrial production and services turnover (% YoY)



Number of overnight stays from non-residents in tourist accommodation in Portugal (% YoY)

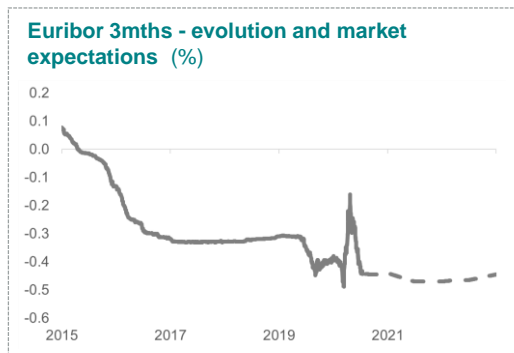
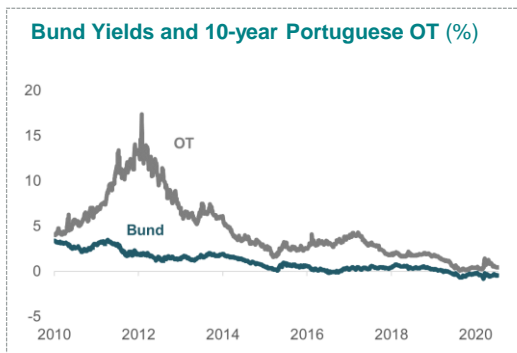
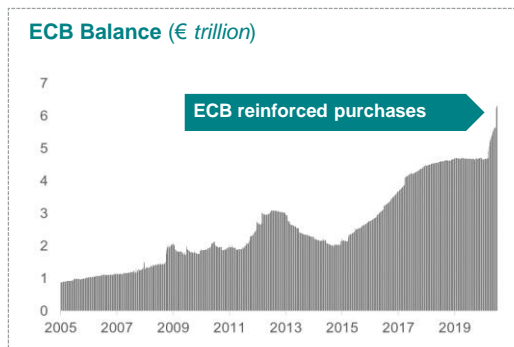
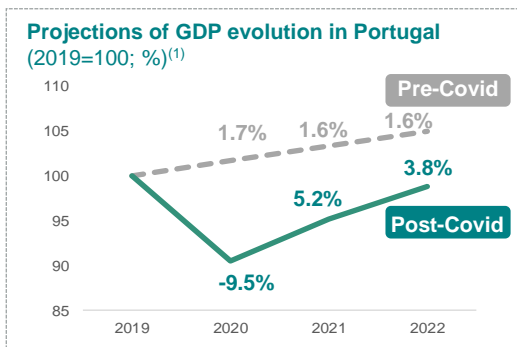


Number of workers in layoff (millions)



# Macroeconomic Environment

## Downward revision of expectations for economic activity



**More ECB expansionary policy.  
Low interest rate expected for longer period.**

Despite a recovery in activity in May/June, the projections for the annual GDP growth in the Eurozone and Portugal have been substantially revised downwards.

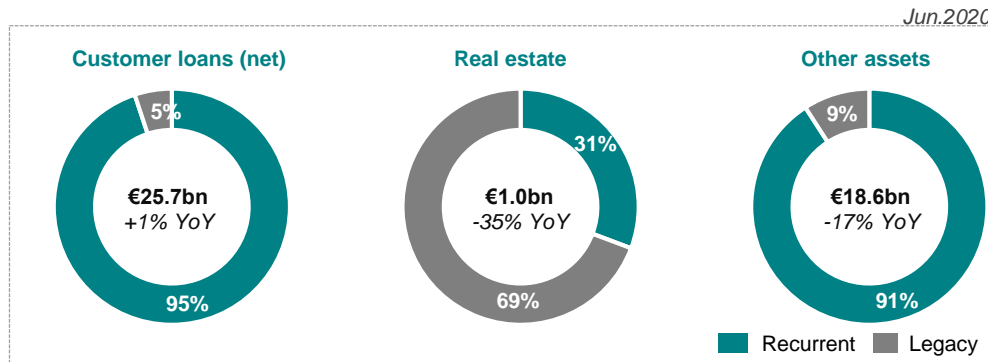
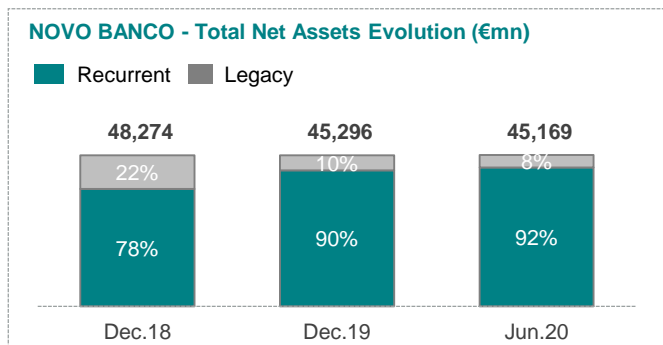
The ECB reinforced purchases of debt securities, creating new programs (PEPP, PELTRO), reinforcing the existing ones (PSPP) and easing restrictions on the purchase of debt from peripheral economies. The ECB's balance sheet rose from €4.7 to 6.3 trillion in the first half. At fiscal policy level, the EU has proposed the creation of a Recovery Fund.

After a maximum of 1.4% in March, the 10-year Portuguese OT yield closed the 2nd quarter 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 the 1st semester). Despite some volatility, market expectations for Euribor remained negative.

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# NOVO BANCO is successfully executing its restructuring process and its deleveraging strategy, to focus on the recurrent business



- **Total assets of €45.2bn as of Jun.20, of which 92% are related to the Recurrent business, increasing its relevance over time;**
- Recurrent net assets total €41.6bn, increasing 10% since Dec.18;
- Legacy accounts for 8% of total assets (-65% since Dec.18) integrating not only loans included in the CCA<sup>1</sup> but also those classified as non-strategic, Real estate and other assets.
- **The restructuring process in place has allowed the Bank to divest non-strategic assets (Real estate -35% YoY; Other assets -17% YoY) and focus on recurrent activity;**
- Recurrent activity is composed mainly of Customer loans (€24.4 bn), Other assets (€16.9bn; including Securities portfolio and Associated companies) and Real estate (€311mn).
- Legacy assets total €3.7bn given assets revaluation and sales, including GNB Vida, Nata II project with sale of NPLs and related assets, Albatros project and real estate.

### Recurrent Income Statement (€mn)

	until Jun.19	until Jun.20	YoY Change €mn
Net Interest Income	236.0	251.2	15.2
+ Fees & Commissions	150.7	136.6	-14.1
<b>= Commercial Banking Income</b>	<b>386.7</b>	<b>387.8</b>	<b>1.1</b>
+ Capital Markets Results	47.9	-6.5	-54.4
+ Other Operating Results	-20.8	-23.3	-2.6
<b>= Banking Income</b>	<b>413.9</b>	<b>358.0</b>	<b>-55.9</b>
- Operating Costs	235.9	225.6	-10.3
<b>= Net Operating Income</b>	<b>178.0</b>	<b>132.4</b>	<b>-45.6</b>
- Net Impairments & Provisions	68.2	98.0	29.8
- Corporate Tax & Special Tax	-5.5	1.8	7.3
- Non-Controlling Interests	1.9	-1.4	-3.2
<b>Net Income for the period</b>	<b>113.4</b>	<b>34.0</b>	<b>-79.4</b>

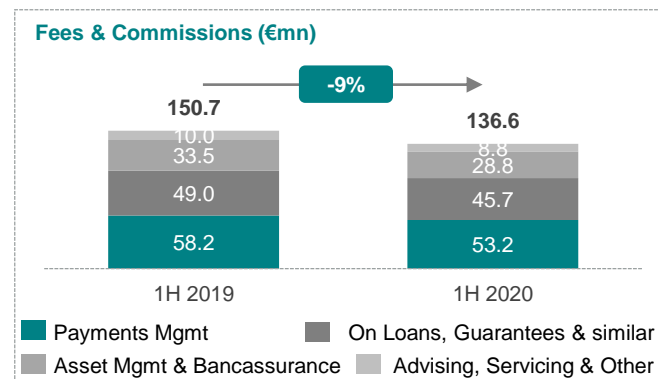
### Highlights

- Net Interest Income +€15mn YoY (+6.5%) given the increase in average volumes while maintaining pricing discipline;
- Commissions impacted by fees exemptions and lower commercial activity given Covid-19 repercussion in the economy;
- Commercial Banking Income flat YoY, benefiting from NII evolution;
- Capital Markets losses related to interest rate swaps used in the hedging of sovereign debt securities;
- Banking Income totalled €358mn with YoY evolution penalized by market volatility;
- Operating Costs -€10mn YoY (-4.4%) reflecting continuous cost optimization measures;
- Net Impairments and Provisions<sup>1</sup> increasing by €29.8mn, leading to a Cost of Risk of 87bps;
- Corporate Income Tax and Special Tax on Banks summed €1.8mn;
- **All in all, Net Income was positive by €34mn demonstrating NOVO BANCO's revenue generating capacity.**

# NOVO BANCO Recurrent

## NII increasing by +6.5% YoY while Commissions penalized by lower economic activity

Net Interest Income (NII) and Net Interest Margin (NIM)	Jun-19			Jun-20		
	Avg. Balance	Avg. Rate	Income/ Costs	Avg. Balance	Avg. Rate	Income/ Costs
€ million; %						
Customer Loans	23 439	2.29%	270	24 478	2.14%	265
Money Market Placements	916	-0.02%	0	2 595	-0.03%	0
Securities and Other Assets	9 841	1.15%	57	9 869	1.39%	69
<b>Interest Earning Assets &amp; Other</b>	<b>34 197</b>	<b>1.90%</b>	<b>326</b>	<b>36 943</b>	<b>1.79%</b>	<b>333</b>
<b>Interest Bearing Liabilities &amp; Other</b>	<b>34 197</b>	<b>0.50%</b>	<b>87</b>	<b>36 943</b>	<b>0.42%</b>	<b>79</b>
<b>NIM / NII<sup>1</sup></b>		<b>1.37%</b>	<b>236</b>		<b>1.35%</b>	<b>251</b>

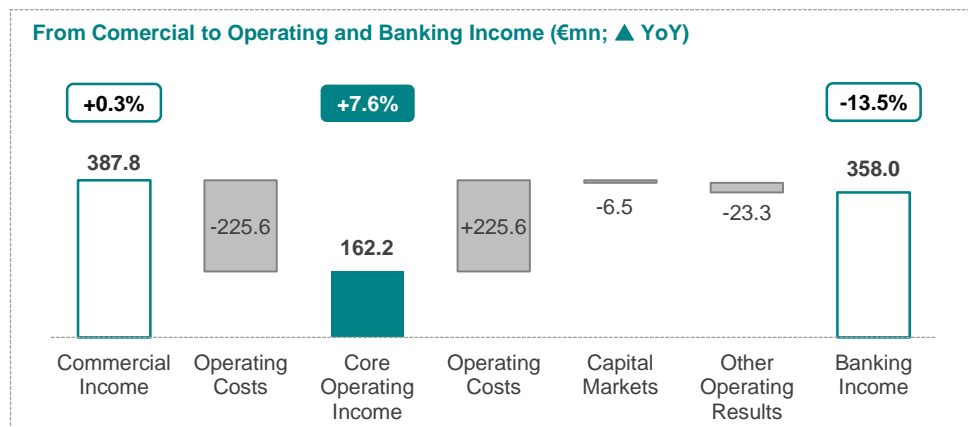


**Positive contribution from Net Interest Income (+€15mn YoY) offset by lower Fees & Commissions in the period (-€14mn YoY).**

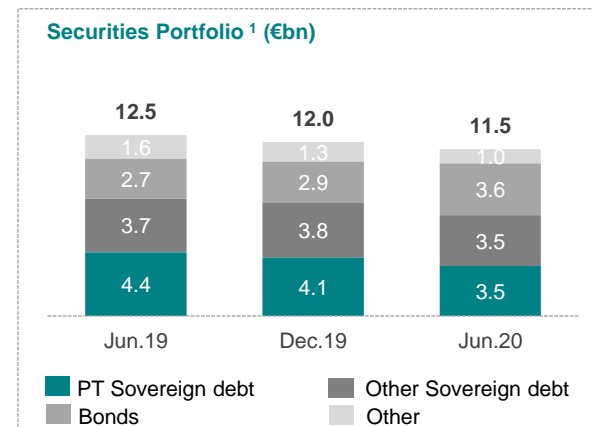
- Net Interest Income evolution (+6.5% to €251mn) benefiting from the positive contribution of cost of funding optimization measures implemented, the expansion of the loan volume, increase of the securities and other assets margin, and continued focus on pricing policy.
- Fees & Commissions performance was uniform across all product categories as a consequence of Covid-19 pandemic, namely given the lower economic activity and the measures to support the economy and customers as temporary fees exemptions in certain accounts and on a set of essential transactions.



# NOVO BANCO Recurrent Core Operating Income +7.6%



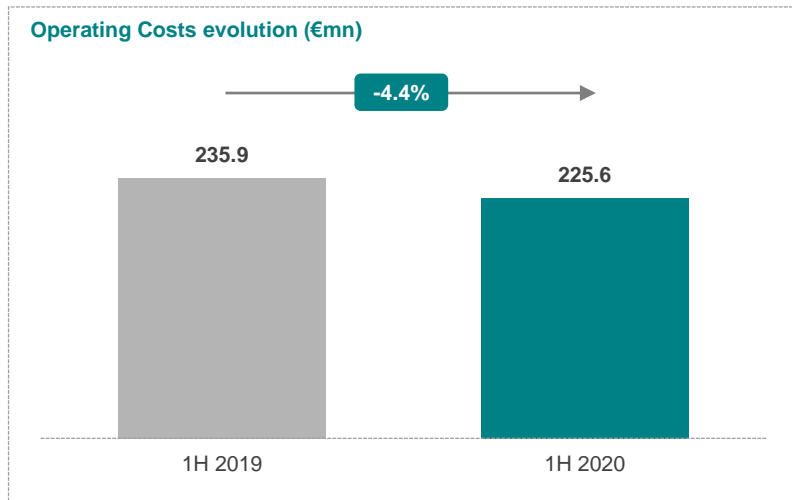
- **Recurrent Commercial Banking Income reached €387.7mn**, following Net Interest Margin and Fees & Commission performance.
- **Core Operating Income increase +7.6% YoY**, benefiting from lower Operating Costs (-4.4% YoY) and a stable Commercial Banking Income (+0.3% YoY).
- **Banking Income totalled €358.0mn**, mainly given Covid-19 impact in market volatility in the 1Q20 and subsequent losses related to interest rate swaps (-€78.7mn YTD) used in the hedging of sovereign debt securities.



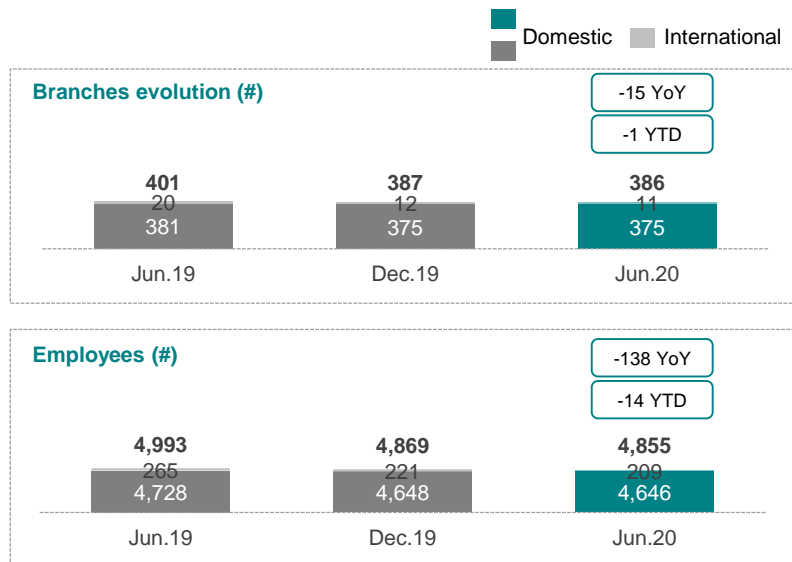
- **As of Jun-20, the securities portfolio summed €11.5bn, including €6.3bn of sovereign debt that is marked to market with changes in fair value booked in reserves.** As part of this portfolio is hedged, €78.7mn of losses were recognized through net income. In Jun.20 the unrealized gains of this portfolio totaled €274mn (Dec.19: €331mn).

# NOVO BANCO Recurrent

Operating costs decreasing -4.4% YoY, backed by cost structure optimization measures



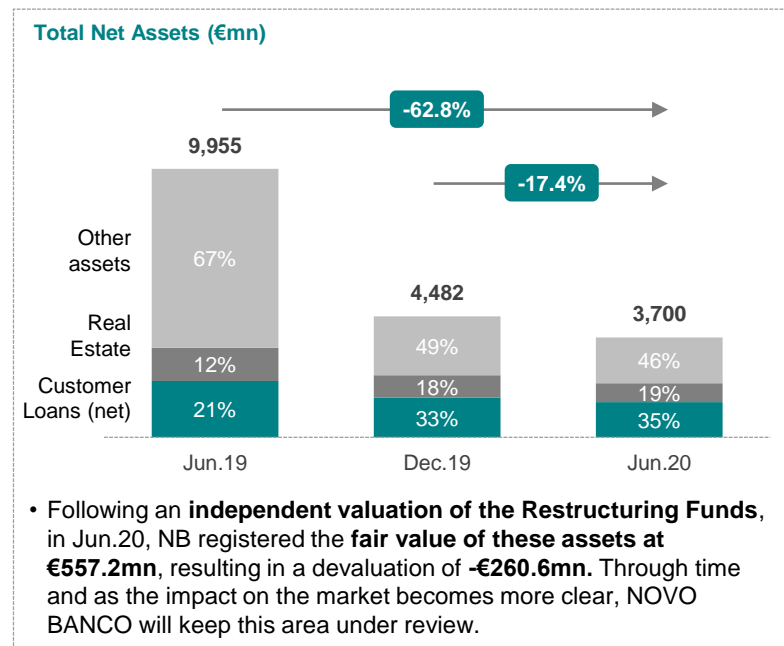
- Operating costs totalled €225.6mn, a decrease of -4.4% YoY, that notwithstanding the investment in the core business and in digital transformation, reflects the continued cost optimization focus.



- Reflecting viability commitments assumed along with structure and processes optimization over recent years, in Jun.20. NOVO BANCO had 386 physical branches (-15 YoY) and 4 855 employees (-138 YoY).

Executing Legacy assets reduction (-17.4% YTD; -€782mn), underpinned by reductions in the net loan book (-€158mn), Real estate assets (-€129mn) and Other assets (-€495mn), with the latest including the restructuring funds.

Income Statement (€mn)	until Jun.19	until Jun.20	YoY Change €mn
Net Interest Income	26.5	19.6	- 6.9
+ Fees & Commissions	1.6	- 0.3	- 1.9
<b>= Commercial Banking Income</b>	<b>28.1</b>	<b>19.3</b>	<b>- 8.9</b>
+ Capital Markets Results	- 37.7	- 28.6	+9.1
+ Other Operating Results	- 82.5	- 31.6	+50.9
<b>= Banking Income</b>	<b>-92.1</b>	<b>- 41.0</b>	<b>+51.1</b>
- Operating Costs	7.2	4.5	-2.7
<b>= Net Operating Income</b>	<b>-99.3</b>	<b>-45.4</b>	<b>+53.9</b>
+ Restructuring funds (indep. valuation)	0.0	- 260.6	- 260.6
- Net Impairments & Provisions	<b>446.7</b>	137.3	- 309.4
- Corporate Income Tax & Special Tax	-16.6	50.6	+67.3
- Non-Controlling Interests	-15.9	-0.1	+15.7
<b>Net Income for the period</b>	<b>-513.5</b>	<b>-493.7</b>	<b>-19.8</b>



### Consolidated Income Statement (€mn)

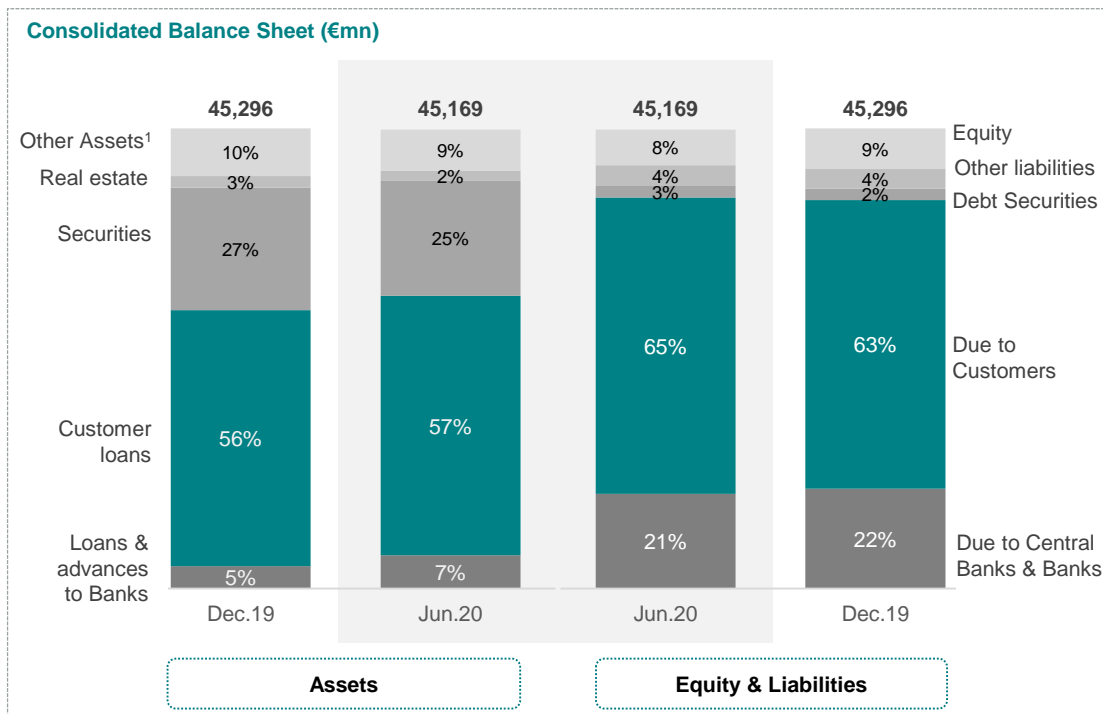
	until Jun.19	until Jun.20	YoY Change €mn
Net Interest Income	262.5	270.8	8.3
+ Fees & Commissions	152.3	136.3	-16.1
<b>= Commercial Banking Income</b>	<b>414.8</b>	<b>407.1</b>	<b>-7.8</b>
+ Capital Markets Results	10.2	-35.1	-45.3
+ Other Operating Results	-103.3	-54.9	48.3
<b>= Banking Income</b>	<b>321.8</b>	<b>317.0</b>	<b>-4.7</b>
- Operating Costs	243.1	230.1	-13.0
<b>= Net Operating Income</b>	<b>78.7</b>	<b>87.0</b>	<b>8.3</b>
+ Restructuring funds (indep. valuation)	0.0	-260.6	-260.6
- Net Impairments & Provisions	514.9	351.3	-163.7
- Corporate Income Tax & Special Tax	-22.2	31.9	54.1
- Non-Controlling Interests	-14.0	-1.5	12.5
<b>Net Income for the period</b>	<b>-400.1</b>	<b>-555.3</b>	<b>-155.2</b>

### Highlights

- Net Interest Income +€8mn YoY (+3.2%) given recurrent activity with focus on pricing discipline;
- Commissioning impacted by fees exemptions and lower commercial activity given Covid-19 repercussion in the economy;
- Commercial Banking Income -€8mn YoY (-1.9%) with higher NII offset by lower fees;
- Capital Market losses include €78.7mn related to interest rate swaps used in the hedging of sovereign debt securities;
- Other Oper. Results YoY comparison benefiting from REO revaluation costs accounted in legacy in 1H19;
- Operating Costs -€13m YoY (-5.4%) reflect continuous cost structure optimization measures;
- Restructuring Funds with €260.6mn loss as a result of an independent valuation;
- Net Impairments and Provisions include €138.3mn of credit provisions as a result of the Covid-19 pandemic and €26.9mn to reinforce restructuring provisions;
- **Net Income of -€555.3mn, of which 91% related to restructuring funds, Covid-19 & restructuring provisions and market volatility in swaps.**

# NOVO BANCO Consolidated

## NOVO BANCO maintains a solid Balance Sheet with sound deposit base (+3.4% YTD)



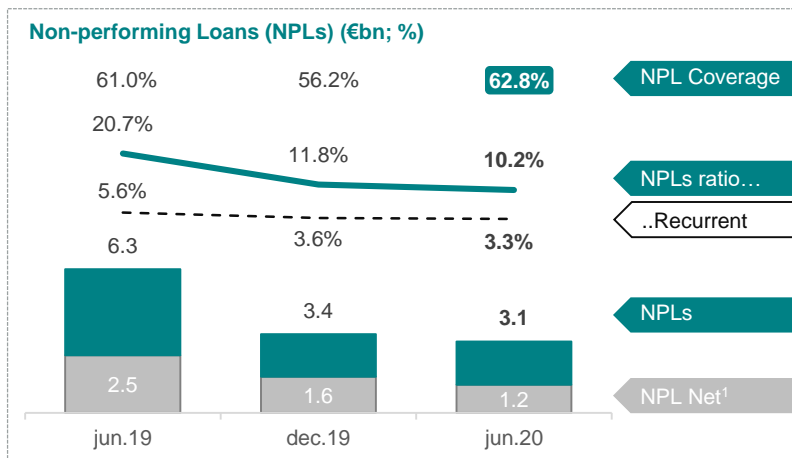
### Highlights:

- Stable Net customer loans grow +2.6% in Recurrent net loans offset by a 10.8% decrease of Legacy net loans that includes a reduction of -€310mn of non-performing loans.
- Customer funds increased by 2.7% reaching €29.2bn, with Deposits growing €959mn (+3.4% YTD).
- As of Jun.20, Total Funds, including balance sheet customer funds (€30.3bn) and including off-balance sheet funds (+€4.7bn), amounted to €35.0bn (+1.7% YTD).

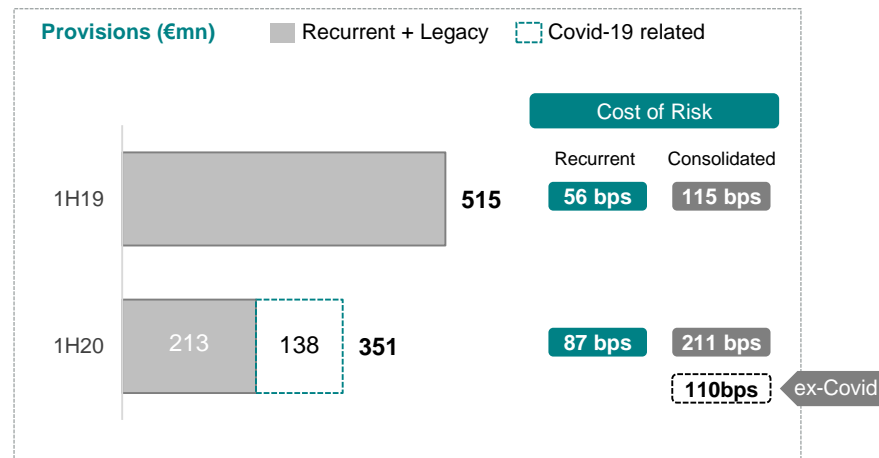
(1) Includes Current and Deferred Tax Assets

# NOVO BANCO Consolidated

## Continuous improvements in NPL, with Covid-19 potential impact leading to higher provisions

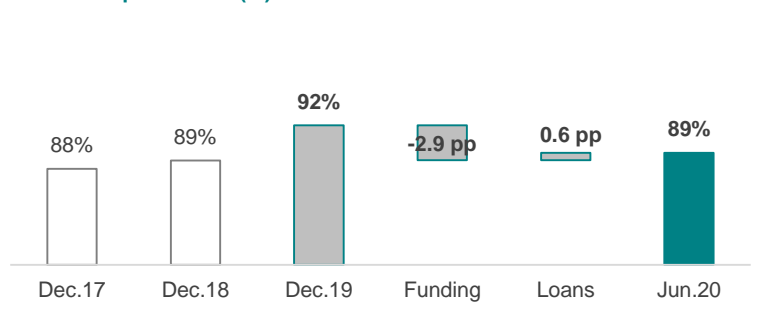


- **Improvement in the Consolidated NPL ratio to 10.2%** (vs 11.8% in Dec.19) reflecting the reduction in non-performing loans.
- The **coverage of NPLs** by impairments (including deposits with banks and loans and advances to banks) **reached 62.8%** (+6.6pp compared to Dec.19).
- **NPL ratio of the Recurrent activity decreased to 3.3%** (vs 3.6% in Dec.19), with a **coverage ratio of 73.3%** (vs 68.3% in Dec.19).

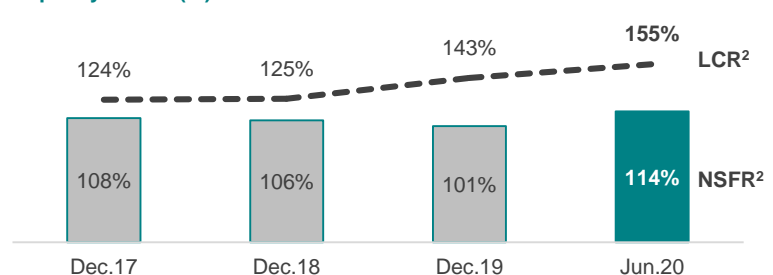


- **Covid-19 pandemic** and the resulting economic slowdown and market volatility drove **an increase of €138mn in credit risk impairment charges in the 1H20**. This elevated level of impairment is expected to continue in the coming quarters.
- Total Cost of Risk for NOVO BANCO Consolidated reached 211bps, which compares with 110bps if excluded Covid-19 provision.

Loan to Deposit Ratio (%)



Liquidity Ratios (%)

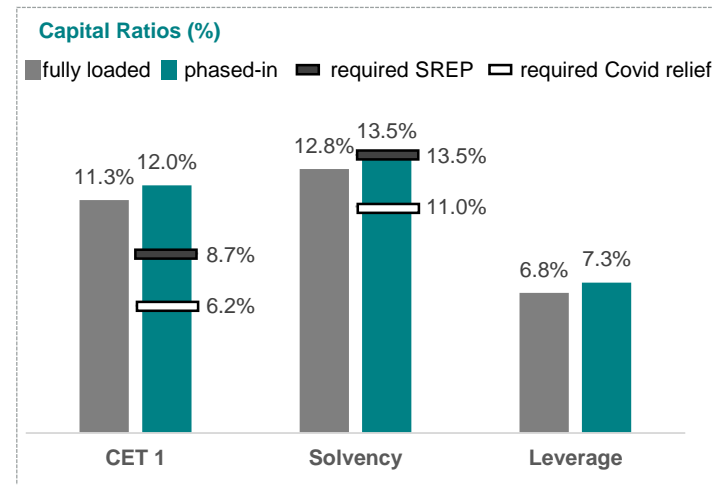


- The evolution of the Loan to Deposit Ratio (vs Dec.19) is explained by:
  - the growth of **Customer deposits and other customer funds by €776mn**, reaching a total of €29.2bn; and
  - the growth of the **Net loan book by +1.4%**;
- The Bank maintains its **policy of lowering the price of deposits while diversifying its offering**.
- In Jun.20, the portfolio of **eligible assets for rediscount with the European Central Bank totalled €15.8bn** (net of haircuts), compared with €15.3bn in Dec.19. Adding other HQLA non-eligible for ECB rediscount purposes, the Bank maintained a liquidity buffer above €11bn, largely composed of highly liquid assets (83%).
- NOVO BANCO maintained a comfortable liquidity position**, which, as of Jun.20, is reflected in its Liquidity Coverage Ratio (LCR) of 155% and in its Net Stable Funding Ratio (NSFR) of 114%.

# NOVO BANCO Consolidated

## The Bank is adequately capitalised

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



- **NOVO BANCO's Common Equity Tier 1 (CET1) is protected at pre-established levels, up to the amount of losses already recorded on the assets protected by the Contingent Capital Agreement. The level of protection of CET1 is set at 12% from Jan.20.**
- As a result of the Legacy activity losses in the amount of -€493.7mn, which reflect the continuation of the deleverage 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.



# NB Digital: innovating customer experience in a disruptive environment

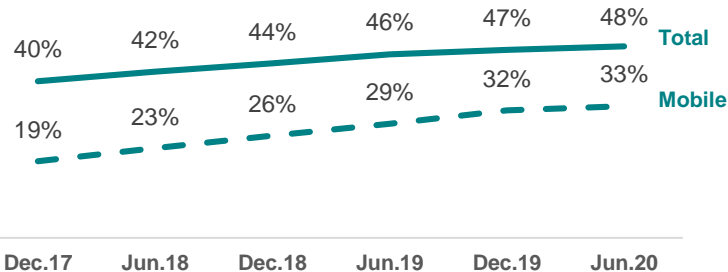
## Key Developments

- **NB Smart App new functions:** “bill split” (MBWay) and ordering for a credit card;
- **New residential mortgage loan simulator** offering an omnichannel experience;
- **Development of a Short-Term Finance tool** enabling relationship managers to respond immediately to the treasury needs of SMEs.

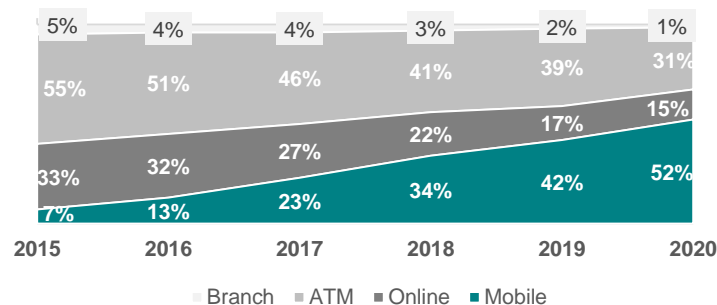
## Direct response to client needs

- **Digital channels: request mortgage credit moratoriums and other credits for companies;**
- Use of **remote formalization mechanisms by digital signature and e-mail transactions;**
- **New NB Smart App tools:** mail messages, meetings scheduling and contact request;
- Streamlined the digital channels **personal credit approval process;**
- Launch of **Marketplace platform** promoting regional small business sales.

Penetration rate of active digital clients



Client's contact profile



# Agenda

1. 1H20 Highlights
2. Covid-19: “Together we’re the economy”
3. Macroeconomic Environment
4. Results and Activity of 1H20
- 5. Appendix**

# NOVO BANCO Consolidated Balance Sheet

(€mn)	31 Dec.19	30 Jun.20
Cash, cash balances at central banks and other demand deposits	1,854	2,937
Financial assets held for trading	749	745
Financial assets mandatorily at fair value through profit or loss	1,315	1,058
Financial assets at fair value through profit or loss, or through other comprehensive income	8,850	7,984
Financial assets at amortised cost	27,141	28,085
Debt securities	1,623	2,256
Loans and advances to credit institutions	369	344
Loans and advances to customers	25,150	25,485
Derivatives – Hedge accounting	7	8
Fair value changes to the hedged items in portfolio hedge of interest rate risk	53	69
Investments in subsidiaries, joint ventures and associates	93	93
Tangible assets	889	784
Tangible fixed assets	188	176
Investment properties	701	608
Intangible assets	26	36
Tax assets	900	794
Current tax assets	2	2
Deferred tax assets	898	792
Other assets	3,378	2,532
Non-current assets and disposal groups classified as held for sale	40	40
<b>Total Assets</b>	<b>45,296</b>	<b>45,169</b>

	31 Dec.19	30 Jun.20
Financial liabilities held for trading	545	592
Financial liabilities designated at fair value through profit or loss	102	91
Financial liabilities measured at amortised cost	39,674	40,006
Due to banks	9,850	9,339
Due to customers	28,400	29,176
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1,065	1,084
Other financial liabilities	359	407
Derivatives – Hedge accounting	59	77
Provisions	308	299
Tax liabilities	18	21
Current tax liabilities	12	16
Deferred tax liabilities	6	5
Other liabilities	586	584
Liabilities included in disposal groups classified as held for sale	2	5
<b>Total Liabilities</b>	<b>41,293</b>	<b>41,675</b>
Capital	5,900	5,900
Other comprehensive income – accumulated	(702)	(827)
Retained earnings	(6,115)	(7,203)
Other reserves	5,943	6,140
Profit or loss attributable to parent company shareholders	(1,059)	(555)
Minority interests (Non-controlling interests)	37	36
<b>Total Equity</b>	<b>4,003</b>	<b>3,494</b>
<b>Total Liabilities and Equity</b>	<b>45,296</b>	<b>45,169</b>

# NOVO BANCO Consolidated Income Statement

<i>(€mn)</i>	30.Jun.19	30.Jun.20
<b>Net interest income</b>	<b>262</b>	<b>271</b>
Dividend income	6	10
Fee and commission income	174	160
Fee and commission expense	(27)	(26)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	67	85
Gains or losses on financial assets and liabilities held for trading	(61)	(72)
Gains or losses on financial assets mandatorily at fair value through profit or loss	(16)	(295)
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	(0)	0
Gains or losses from hedge accounting	(8)	(11)
Exchange differences	22	(16)
Gains or losses on derecognition of non-financial assets	5	0
Other operating income	93	51
Other operating expenses	(190)	(94)
<b>Operating Income</b>	<b>327</b>	<b>63</b>
Administrative expenses	(226)	(213)
<i>Staff expenses</i>	(133)	(129)
<i>Other administrative expenses</i>	(93)	(84)
Cash contributions to resolution funds and deposit guarantee schemes	(35)	(35)
Depreciation	(17)	(17)
Provisions and impairments	(515)	(351)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	1	0
<b>Income before taxes</b>	<b>(465)</b>	<b>(553)</b>
Tax expenses or income related to profit or loss from continuing operations	49	(4)
<i>Current tax</i>	(11)	3
<i>Deferred tax</i>	60	(7)
<b>Profit or loss after tax from continuing activities</b>	<b>(415)</b>	<b>(558)</b>
Discontinued operations profit or loss	1	1
<b>Profit or loss for the period</b>	<b>(414)</b>	<b>(557)</b>
Attributable to minority interest (non-controlling interests)	(14)	(1)
<b>Net income attributable to shareholders of the Bank</b>	<b>(400)</b>	<b>(555)</b>

# NOVO BANCO Separate Sustainability metrics



	2019	1H 2020
<b>Social Indicators</b>		
Employees (#)	4,326	4,300
Training hours	200,545	69,320
Turnover <sup>1</sup>	4.7%	2.4%
Woman employment rate	52.5%	52.4%
Woman in leadership roles rate	36.1%	37.2%
Woman senior leaders roles rate	31.3%	32.3%
Pay Gap (%)	9.6%	10.4%
<b>Environmental Indicators</b>		
ESG structured products issued (#; in period)	12	5
ESG structured products subscriptions (#; in period)	2,547	2,553
ESG structured products subscriptions (#; cumulative amount)	4,051	6,604
Clients who subscribed ESG structured products (#; in period)	4,953	2,410
Clients who subscribed ESG structured products (#; cumulative amount)	4,953	7,363
Total ESG structured products subscriptions (in period; € million)	55	60
Total ESG structured products subscriptions (cumulative; € million)	89	148
CO2 Emissions from electricity consumption (tCO2e)	5,828	3,104
Active digital customers (#; thousand)	566	577
<b>Governance Indicators</b>		
Account monitoring – alerts generated (#)	11,457	5,754
Communication to the authorities (#)	1,035	457
Account opening scoring Investigation (#)	3,705	1,567
Participation Entry scoring Investigation (#)	574	321
Account opening rejected with scoring Investigation (#)	48	57
<b>Economic - Community/Society Indicators</b>		
Planned savings/"Poupança programada" (# of clients)	277,495	270,352
Planned savings/"Poupança programada" (€ million)	1,090	1,149
Minimum Banking Services Account (# of accounts)	8,491	9,401
Suppliers with sustainability scoring (#)	496	584
Very satisfied/satisfied clients with service quality (Retail; %)	97.0%	96.6%
Very satisfied/satisfied clients with service quality (SME; %)	99.3%	98.3%
Donations (€ million)	0.58	0.31
Direct economic value generated (€ million)	841	405
Economic value distributed (€ million)	412	194
Economic value retained (€ million)	429	211

# Glossary (1/3)

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

## Glossary (2/3)

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

## Glossary (3/3)

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





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Unaudited financial information