

## NOVO BANCO GROUP ACTIVITY AND RESULTS OF FIRST NINE MONTHS OF 2020

(Unaudited financial information)

### HIGHLIGHTS

- **NOVO BANCO's recurrent net income totalled €98.2mn** (3Q20: +€64.2mn; 9M19: +€140.1mn), demonstrating the Group's value-creation capacity and sustainable profitability.
- **Continued reduction of non-performing loans (NPL) ratio to 9.7%**, reaching a single-digit ratio for the first time, an important milestone for a Bank that in 2016 had an NPL ratio of 33.4%.

### CONTINUED POSITIVE RECURRENT RESULTS

- **NOVO BANCO increased its recurrent core operating income** (commercial banking income – operating costs) **to €256.5mn (+6.9% YoY)**, as a result of the combined effects of higher commercial banking income (+1.4% YoY), despite weaker fee and commission income, adversely impacted by the current economic context, and lower operating costs (-2.7% YoY).
- **Progress towards sustainable profitability**, recurrent commercial banking income reached €568.2mn (+1.4% YoY), driven by the **higher Net interest income (€372.8mn; +9.3% YoY)** offsetting the lower level of commissions and fees (9M20: €195.4mn; 9M19: €219.3mn), which resulted from lower economic activity.
- Continued focus on cost optimisation, while investing in the core business and in Digital transformation, led **Recurrent operating costs to decrease -2.7% YoY to €311.7mn** (9M20: €320.4mn).

### CONTINUED BALANCE SHEET PERFORMANCE

- **Recurrent loan volumes increased by +5.3% YoY (+€1,196mn)**, building on the momentum of previous year (2019: +5.6%; +€1,303mn).
- **Customer funds increased +1.5%, or €399mn**, with **deposits growing by 1.5% YTD (+€394mn)**, reflecting continued customer's confidence.
- **Annual reduction of Legacy assets by 34.2% or -€1,767mn (-24.1% or -€1,078mn vs Dec.19)**, across all categories of assets, including Customer loans (net; -26.2% or -€406mn YoY), Real estate (-35.1% or -€355mn YoY) and Other assets (-38.5% or -€1,006mn YoY).
- Continued execution of Bank's strategy of reducing non-performing loans (NPL), decreasing by -€2,825mn vs 9M19 to €2,807mn (-€504mn vs Dec.19), reflecting a **decrease in NPL ratio from 19,9% in Sep.19 to 9.7% in Sep.20**.
- In 30 September 2020, **the NPL ratio of the recurrent activity was 3.1%** (Sep.19: 5.6%).

## CAPITAL & CONSOLIDATED NET INCOME

The Bank is well 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 first nine months 2020, were impacted by its continued restructuring process, deleveraging of legacy assets, discontinuation of the Spanish business, the customers' additional provisioning of non-performing loans (both international and domestic) and the impact of Covid-19 pandemic, resulting in a consolidated net income at -€853.1mn (of which legacy accounted for -€835.2mn).

The resulting banking activity slowdown and market volatility led to an increase in the cost of risk, with increased impairments for credit risks and guarantees (including credit institutions) of €627.2mn in the period.

The additional impairments for credit and securities risk arising from Covid-19 pandemic totalled €195.1mn (of which €152.0mn of provisions calculated on a collective basis), this elevated level of impairments is expected to continue in the next quarter.

NOVO BANCO continues to deliver on its plan, targets and the commitments assumed by the Portuguese Government with respect to DGComp. Throughout the year, the Bank continued to make progress on its strategic priorities. The Bank delivered improved commercial banking income of the recurrent bank, despite the effects of the Covid-19 pandemic. In Legacy, the Bank pursued its strategy of reducing non-performing assets.

As in 2019, NOVO BANCO discloses its first nine months 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.

**Disclaimer:**

*In the 3Q2020, NOVO BANCO transferred the Spanish Branch to discontinued operations, in line with the strategy to discontinue the Spanish business. Thus, for comparison purposes, the previous periods are restated.*

**NOVO BANCO RECURRENT**
**RESULTS**

In the first nine months of 2020, NOVO BANCO Recurrent reported a positive net income of €98.2mn. This reflects an increase in the commercial banking income with positive performance in net interest income (+€31.8mn; +9.3%) offset a decrease in commissions (-€23.9mn).

Income Statement	Recurrent				
	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	30-Sep-20	Change	
				absolute	%
Net Interest Income	361,3	341,0	372,8	31,8	9,3%
+ Fees and Commissions	227,3	219,3	195,4	- 23,9	-10,9%
<b>= Commercial Banking Income</b>	<b>588,6</b>	<b>560,3</b>	<b>568,2</b>	<b>7,9</b>	<b>1,4%</b>
+ Capital Markets Results	10,3	9,9	8,8	- 1,0	-10,5%
+ Other Operating Results	- 25,1	- 5,8	- 20,1	- 14,4	...
<b>= Banking Income</b>	<b>573,8</b>	<b>564,4</b>	<b>556,9</b>	<b>-7,5</b>	<b>-1,3%</b>
- Operating Costs	351,5	320,4	311,7	-8,7	-2,7%
<b>= Net Operating Income</b>	<b>222,2</b>	<b>244,0</b>	<b>245,2</b>	<b>1,2</b>	<b>0,5%</b>
- Net Impairments and Provisions	<b>94,8</b>	<b>118,2</b>	<b>140,5</b>	<b>22,3</b>	<b>18,9%</b>
Credit	130,4	116,0	129,6	13,6	11,8%
Securities	2,8	2,9	20,3	17,4	...
Other Assets and Contingencies	- 38,4	- 0,7	- 9,4	- 8,7	...
<b>= Income before Taxes</b>	<b>127,5</b>	<b>125,8</b>	<b>104,6</b>	<b>- 21,2</b>	<b>-16,8%</b>
Corporate Income Tax and Special Tax on Banks	-12,8	-14,5	7,0	21,4	...
<b>= Income after Taxes</b>	<b>140,3</b>	<b>140,3</b>	<b>97,6</b>	<b>- 42,6</b>	<b>-30,4%</b>
- Non-Controlling Interests	0,2	0,2	-0,6	- 0,8	...
<b>= Net Income for the period</b>	<b>140,1</b>	<b>140,1</b>	<b>98,2</b>	<b>- 41,9</b>	<b>-29,9%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

**Net interest income** increased by €31.8mn compared to Sep.19, to €372.8mn (+9.3%), reflecting improved cost of funding, the expansion of the loan volume and continued focus on pricing policy.

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	30-Sep-19			2019			30-Sep-20		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	34 727	1.89%	499	35 237	1.86%	666	35 460	1.77%	478
Customer Loans	23 652	2.28%	410	23 902	2.24%	543	22 863	2.16%	376
Money Market Placements	930	-0.02%	0	1 056	0.01%	0	2 624	-0.06%	- 1
Securities and Other Assets	10 145	1.16%	89	10 279	1.18%	123	9 973	1.36%	103
<b>INTEREST EARNING ASSETS AND OTHER</b>	<b>34 727</b>	<b>1.89%</b>	<b>499</b>	<b>35 237</b>	<b>1.86%</b>	<b>666</b>	<b>35 460</b>	<b>1.77%</b>	<b>478</b>
<b>INTEREST BEARING LIABILITIES AND OTHER</b>	<b>34 727</b>	<b>0.49%</b>	<b>130</b>	<b>35 237</b>	<b>0.48%</b>	<b>172</b>	<b>35 460</b>	<b>0.37%</b>	<b>101</b>
<b>NIM / NII</b> <small>(without stage 3 impairment adjustment)</small>		<b>1.40%</b>	<b>369</b>		<b>1.38%</b>	<b>494</b>		<b>1.40%</b>	<b>378</b>
<b>Stage 3 impairment</b>			<b>- 7</b>			<b>- 3</b>			<b>- 5</b>
<b>NIM / NII</b>		<b>1.37%</b>	<b>361</b>		<b>1.37%</b>	<b>491</b>		<b>1.38%</b>	<b>373</b>

Compared with September 2019, there was an increase in the average volumes of the loans (excluding the effect of the transfer of the Spanish Branch to discontinued operations). This was achieved while maintaining a focus on pricing discipline. The competitive conditions and the consequent pressure in interest rates on loans to companies resulted in a marginal decrease in average interest rates to 2.16%. Continued liability management led to a reduction of the average cost of funding from 0.49% to 0.37%. The net interest margin was 1.38%, slightly above the margin achieved in 2019 and at the end of the 9M19.

**Fees and commissions** on banking services contributed +€195.4mn, which compares with +€219.3mn in 9M19 (-10.9%). The decrease occurred across all products line, reflecting lower economic activity due to the effects of the pandemic on client activity.

**Commercial banking income** increased to +€568.2mn (9M19: €560.3mn), reflecting higher net interest income.

The **Capital markets results** totalled €8.8mn. The securities portfolio amounts to circa €11.4bn, of which about €6.5bn relates to sovereign debt and is marked to market with changes in fair value booked in reserves. At 30 September 2020 the unrealized gain on this portfolio was €336mn, in line with December 2019 (€331mn).

**Operating costs** totalled €311.7mn, a decrease of -2.7% YoY, which, notwithstanding the investment in the core business and in digital transformation, reflects continued focus on cost optimization.

**Core operating income** (commercial banking income deducted from operating costs) reached €256.5mn, +6.9% compared with previous year.

The **cost of risk** was 73bps. It should be noted the additional general provisions of impairments for credit risks related to the Covid-19 (€152.0mn; calculated on a collective basis) are not allocated to Legacy or Recurrent activity.

## ACTIVITY

In the first nine months of 2020, assets increased by €1,123mn (+2.8%), with net customer loans growing by 4.0% (+€886mn) compared to Dec.19, and a growth of +5.8% (+€1,260mn) compared to Sep.19. The growth in corporate loans reflects the continued support of domestic companies, across all economic sectors, with focus on small and medium-sized enterprises (SMEs) and the establishment of Covid-19 related credit lines to corporate customers.

	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20	YTD Change	
						absolute	%
						mn€	
Customer loans (net)	23 360	21 861	23 735	22 234	23 120	886	4.0%
Real estate	336	333	307	315	308	- 7	-2.3%
Other assets	15 959	17 461	16 772	18 265	18 509	244	1.3%
<b>Total Net Assets</b>	<b>39 655</b>	<b>39 655</b>	<b>40 814</b>	<b>40 814</b>	<b>41 937</b>	<b>1 123</b>	<b>2.8%</b>
<b>Total Liabilities and Equity</b>	<b>39 655</b>	<b>39 655</b>	<b>40 814</b>	<b>40 814</b>	<b>41 937</b>	<b>1 123</b>	<b>2.8%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

The recurrent asset quality indicators showed an improvement as the NPL ratio reduced to 3.1% and the coverage ratio increased +8.7pp.

CUSTOMER LOANS	mn€						YTD Change	
	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20	absolute	%	
<b>Customer Loans (gross)</b>	<b>24 111</b>	<b>22 566</b>	<b>24 380</b>	<b>22 835</b>	<b>23 762</b>	<b>927</b>	<b>4.1%</b>	
Corporate	12 931	11 726	12 925	11 713	12 698	984	8.4%	
Residential Mortgage	9 840	9 669	10 100	9 948	9 898	- 50	-0.5%	
Consumer finance and other	1 340	1 171	1 355	1 173	1 167	- 7	-0.6%	
<b>Non-Performing Loans (NPL)<sup>1</sup></b>	<b>1 406</b>	<b>1 305</b>	<b>946</b>	<b>866</b>	<b>819</b>	<b>- 47</b>	<b>-5.4%</b>	
<b>Impairment</b>	<b>751</b>	<b>705</b>	<b>645</b>	<b>601</b>	<b>642</b>	<b>41</b>	<b>6.9%</b>	
<b>NPL Ratio<sup>1</sup></b>	<b>5.6%</b>	<b>5.6%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>3.1%</b>	<b>-0.4 p.p.</b>	<b>...</b>	
<b>NPL coverage<sup>1</sup></b>	<b>53.5%</b>	<b>54.1%</b>	<b>68.3%</b>	<b>69.5%</b>	<b>78.1%</b>	<b>8.7 p.p.</b>	<b>...</b>	
<b>Cost of Risk (bps)</b>	<b>72</b>	<b>69</b>	<b>91</b>	<b>87</b>	<b>73</b>	<b>- 14</b>	<b>...</b>	

<sup>1</sup> Includes Deposits and Loans and advances to Banks and Customer Loans

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

## NOVO BANCO LEGACY

NOVO BANCO Legacy reported a loss of -€835.2mn. This result includes a number of significant items:

- the independent assessment of the restructuring funds (-€260.6mn). The Group will continue to monitor this area as the impact of the Covid-19 pandemic on the Portuguese economy becomes clearer;
- the provision for restructuring (€26.9mn); and
- the discontinuation of the business in Spain, which together with higher credit costs (loans to customers, guarantees and financial institutions), led to a total of €455mn of impairments and provisions.

The combined effects explain 89% of NOVO BANCO Legacy losses.

Income Statement	Legacy				
	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	30-Sep-20	Change	
				absolute	%
Net Interest Income	40.4	39.7	28.3	- 11.5	-28.9%
+ Fees and Commissions	2.2	2.2	1.1	- 1.1	-49.6%
<b>= Commercial Banking Income</b>	<b>42.6</b>	<b>41.9</b>	<b>29.4</b>	<b>- 12.6</b>	<b>-29.9%</b>
+ Capital Markets Results	- 54.6	- 54.8	- 29.2	25.6	46.7%
+ Other Operating Results	- 171.3	- 231.0	- 50.2	180.8	78.3%
<b>= Banking Income</b>	<b>-183.3</b>	<b>-243.9</b>	<b>-50.1</b>	<b>193.9</b>	<b>79.5%</b>
- Operating Costs	10.2	10.2	6.4	-3.9	-37.8%
<b>= Net Operating Income</b>	<b>-193.5</b>	<b>-254.2</b>	<b>-56.4</b>	<b>197.7</b>	<b>77.8%</b>
+ Restructuring funds - independent valuation	0.0	0.0	- 260.6	-260.6	...
<b>- Net Impairments and Provisions</b>	<b>546.1</b>	<b>485.5</b>	<b>540.8</b>	<b>55.3</b>	<b>11.4%</b>
Credit	325.9	273.4	101.6	- 171.8	-62.8%
Securities	- 5.0	- 5.0	- 2.7	2.3	45.1%
Other Assets and Contingencies	225.2	217.1	441.9	224.8	...
<b>= Income before Taxes</b>	<b>-739.6</b>	<b>-739.6</b>	<b>-857.7</b>	<b>- 118.1</b>	<b>-16.0%</b>
Corporate Income Tax and Special Tax on Banks	-11.3	-11.3	-16.0	- 4.7	-41.1%
<b>= Income after Taxes</b>	<b>-728.3</b>	<b>-728.3</b>	<b>-841.8</b>	<b>- 113.4</b>	<b>-15.6%</b>
- Non-Controlling Interests	-15.9	-15.9	-6.5	9.4	59.0%
<b>= Net Income for the period</b>	<b>-712.4</b>	<b>-712.4</b>	<b>-835.2</b>	<b>- 122.8</b>	<b>-17.2%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

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 (0.38%).

NOVO BANCO Legacy assets decreased by €1,078mn (-24.1%) compared to Dec.19, underpinned by a reduction of the net loan book of circa €223mn (-16.3%), real estate assets €161mn (-19.7%), and in other assets, which includes restructuring funds, in €693mn (-30.2%).

	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20	YTD Change	
						absolute	%
	Customer loans (net)	1 716	1 551	1 467	1 368	1 144	- 223
Real estate	1 036	1 011	829	818	656	- 161	-19.7%
Other assets	2 418	2 609	2 186	2 297	1 604	- 693	-30.2%
<b>Total Net Assets</b>	<b>5 171</b>	<b>5 171</b>	<b>4 482</b>	<b>4 482</b>	<b>3 404</b>	<b>- 1 078</b>	<b>-24.1%</b>
<b>Total Liabilities and Equity</b>	<b>5 171</b>	<b>5 171</b>	<b>4 482</b>	<b>4 482</b>	<b>3 404</b>	<b>- 1 078</b>	<b>-24.1%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

CUSTOMER LOANS	mn€						YTD Change	
	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20			
						absolute	%	
<b>Customer Loans (gross)</b>	4 675	4 437	2 675	2 562	2 165	- 397	-15.5%	
Corporate	4 270	4 066	2 307	2 207	1 827	- 380	-17.2%	
Residential Mortgage	177	171	165	160	149	- 11	-6.9%	
Consumer finance and other	228	200	203	195	189	- 6	-3.1%	
<b>Non-Performing Loans (NPL)<sup>1</sup></b>	4 464	4 327	2 485	2 446	1 988	- 458	-18.7%	
<b>Impairment</b>	2 959	2 886	1 208	1 194	1 021	- 173	-14.5%	
<b>NPL Ratio<sup>1</sup></b>	88.1%	89.6%	81.3%	83.1%	78.6%	-4.5 p.p.	...	
<b>NPL coverage<sup>1</sup></b>	68.0%	68.5%	51.7%	51.9%	67.9%	16.0 p.p.	...	
<b>Cost of Risk (bps)</b>	929	822	1 515	1 333	626	-707	...	

<sup>1</sup> Includes Deposits and Loans and advances to Banks and Customer Loans

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

## NOVO BANCO GROUP RESULTS

NOVO BANCO Group reported in the first nine months of 2020 a net loss of €853.1mn, which includes losses of:

- €260.6mn as a result of the independent assessment of restructuring funds. The Group will continue to monitor this area as the impact of the Covid-19 pandemic on the Portuguese economy becomes clearer;
- €727.7mn of impairments and provisions, resulting from the discontinuation of the business in Spain and the higher credit risk (loans to customers, guarantees and financial institutions), with €187.2mn of additional impairment for credit risks arising from Covid-19 pandemic; and
- €26.9mn increase in provisions for restructuring.

However, it is worth noting the combined activity results show YoY improvements – an increase of +2.9% in core operating income (commercial banking income – operating costs) resulting from an increase in the net interest income (+5.3%), and a reduction of operating costs (-3.8%), and the increase of operational results to €188.7m (vs Sep.19: -€10.2mn).

INCOME STATEMENT	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	30-Sep-20	Change	
				absolute	%
Net Interest Income	401.7	380.7	401.0	20.3	5.3%
+ Fees and Commissions	229.5	221.5	196.5	- 25.0	-11.3%
<b>= Commercial Banking Income</b>	<b>631.2</b>	<b>602.2</b>	<b>597.6</b>	<b>- 4.7</b>	<b>-0.8%</b>
+ Capital Markets Results	- 44.3	- 44.9	- 20.3	24.6	54.7%
+ Other Operating Results	- 196.5	- 236.8	- 70.4	166.4	70.3%
<b>= Banking Income</b>	<b>390.5</b>	<b>320.5</b>	<b>506.8</b>	<b>186.3</b>	<b>58.1%</b>
- Operating Costs	361.8	330.7	318.1	- 12.6	-3.8%
<b>= Net Operating Income</b>	<b>28.7</b>	<b>- 10.2</b>	<b>188.7</b>	<b>198.9</b>	<b>...</b>
+ Restructuring funds - independent valuation	0.0	0.0	- 260.6	- 260.6	...
<b>- Net Impairments and Provisions</b>	<b>640.9</b>	<b>603.7</b>	<b>833.3</b>	<b>229.7</b>	<b>38.0%</b>
Credit	456.2	389.4	383.3	- 6.1	-1.6%
Securities	- 2.2	- 2.1	17.5	19.7	...
Other Assets and Contingencies	186.9	216.4	432.5	216.1	99.9%
<b>= Income before Taxes</b>	<b>- 612.2</b>	<b>- 613.8</b>	<b>- 905.2</b>	<b>- 291.3</b>	<b>-47.5%</b>
- Corporate Income Tax	- 51.2	- 52.9	- 77.7	- 24.8	-46.9%
- Special Tax on Banks	27.1	27.1	32.8	5.7	20.9%
<b>= Income after Taxes</b>	<b>- 588.0</b>	<b>- 588.0</b>	<b>- 860.2</b>	<b>- 272.2</b>	<b>-46.3%</b>
- Non-Controlling Interests	- 15.7	- 15.7	- 7.1	8.6	54.9%
<b>= Net Income for the period</b>	<b>- 572.3</b>	<b>- 572.3</b>	<b>- 853.1</b>	<b>- 280.8</b>	<b>-49.1%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

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

- Commercial banking income reached €597.6mn, in line with previous period. The increase in net interest income (+5.3%), was, given Covid-19, offset by the decrease in fees and commissions (-11.3%);
- Capital markets results were negative at €20.3mn, reflecting volatility in the financial and capital markets in the first nine months of 2020, partly offset by gains on sale of sovereign debt securities;
- Operating costs decreased by -3.8% YoY, to €318.1mn, reflecting improvements made in simplification and optimization of processes with the associated reduction in the number of employees;
- The provision charge in the period, totalling €833.3mn, includes €195.1mn potential impact of the Covid-19 pandemic, €540.6mn from impairments and provisions, resulting from the discontinuation of the business in Spain and the higher risk (customers loans, guarantees and financial institutions);



- The cost of risk was 197bps. Excluding the above-mentioned impairment related to the expected impact of the Covid-19 pandemic on customer loans, the cost of risk in the period was 101bps.

## Net Interest Income

The reduction in the average interest rate on assets of 7bps YoY (from 1.82% to 1.75%) was in line with the reduction of 11bps average interest rate on liabilities. That resulted in a net interest margin increase of 4bp YoY (from 1.31% to 1.35%).

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	30-Sep-19			2019			30-Sep-20		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	40 335	1.82%	558	40 344	1.82%	745	38 932	1.75%	519
Customer Loans	28 783	2.07%	452	28 558	2.08%	601	25 316	2.09%	403
Money Market Placements	1 342	1.40%	14	1 442	1.32%	19	2 928	0.59%	13
Securities and Other Assets	10 210	1.18%	91	10 344	1.19%	125	10 687	1.27%	103
<b>INTEREST EARNING ASSETS AND OTHER</b>	<b>40 335</b>	<b>1.82%</b>	<b>558</b>	<b>40 344</b>	<b>1.82%</b>	<b>745</b>	<b>38 932</b>	<b>1.75%</b>	<b>519</b>
INTEREST BEARING LIABILITIES	37 719	0.52%	149	37 960	0.51%	196	37 234	0.40%	113
Customer Deposits	27 930	0.35%	75	27 949	0.34%	97	26 311	0.29%	57
Money Market Funding	8 713	0.29%	19	8 931	1.12%	25	9 831	0.00%	0
Other Liabilities	1 076	6.70%	55	1 080	6.68%	73	1 092	6.64%	55
OTHER NON-INTEREST BEARING LIABILITIES	2 616	-	-	2 383	-	-	1 698	-	-
<b>INTEREST BEARING LIABILITIES AND OTHER</b>	<b>40 335</b>	<b>0.49%</b>	<b>149</b>	<b>40 344</b>	<b>0.48%</b>	<b>196</b>	<b>38 932</b>	<b>0.38%</b>	<b>113</b>
<b>NIM / NII</b> <small>(without stage 3 impairment adjustment)</small>		<b>1.34%</b>	<b>409</b>		<b>1.34%</b>	<b>549</b>		<b>1.37%</b>	<b>407</b>
<b>Stage 3 impairment</b>			<b>- 7</b>			<b>- 9</b>			<b>- 6</b>
<b>NIM / NII</b>		<b>1.31%</b>	<b>402</b>		<b>1.32%</b>	<b>541</b>		<b>1.35%</b>	<b>401</b>

The average rate on customer loans was 2.09%. The average balance of deposits was €26.3bn, with an average interest rate of 0.29%, and Money Market Funding was €9.8bn, with 0% average interest rate, benefiting in part from conditions of ECB long-term refinancing operations (TLTRO III). The Group therefore continued to increase the spread between the rate on interest earning assets (1.75%; Dec.19: 1.82%) and the cost of liabilities (0.38%; Dec.19: 0.48%).

## Fees and Commissions

Fees and commissions on banking services contributed +€196.5mn (-11.3%), which compares with +€221.5mn on the 9M19.

FEES AND COMMISSIONS	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	30-Sep-20	Change	
				absolute	%
Payments Management	87.6	86.4	80.2	-6.2	-7.1%
Commissions on Loans, Guarantees and Similar	77.6	73.6	62.2	-11.4	-15.4%
Asset Management and Bancassurance	50.4	45.9	41.5	-4.4	-9.7%
Advising, Servicing and Other	13.8	15.6	12.6	-3.0	-19.3%
<b>TOTAL</b>	<b>229.5</b>	<b>221.5</b>	<b>196.5</b>	<b>-25.0</b>	<b>-11.3%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

In the period there was a decrease in the fees and commissions reflecting generally lower levels of transactions and banking activity in Portugal.

## Capital Markets and Other Operating Results

The **Capital markets results** totalled -€20.3mn, reflecting losses due to volatility in the financial and capital markets in the first nine months of 2020, partially offset by gains on the sale of debt securities and showing a steady recovery compared to the accumulated value at 31 March (-€93.6mn) and 30 June (-€35.1mn).

## Operating Costs

Operating costs reduced by 3.8% YoY, reflecting the continued optimisation and simplification of organisational structure and processes.

OPERATING COSTS	30-Sep-16	30-Sep-17	30-Sep-18	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	30-Sep-20	Change 30-Sep-20 / 30-Sep-19	
							absolute	%
Staff Costs	230.2	210.4	199.5	200.6	186.3	182.8	- 3.5	-1.9%
General and Administrative Costs	176.8	152.7	147.9	134.3	119.9	111.2	- 8.7	-7.2%
Depreciation	42.9	31.2	16.2	26.9	24.4	24.1	- 0.4	-1.6%
<b>TOTAL</b>	<b>449.9</b>	<b>394.2</b>	<b>363.5</b>	<b>361.8</b>	<b>330.7</b>	<b>318.1</b>	<b>- 12.6</b>	<b>-3.8%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

Staff costs of €182.8mn (-1.9% YoY), with an associated YoY headcount reduction of 299 employees. As at 30 September 2020, NOVO BANCO Group had 4,668 employees (4,967 on 30 September 2019).

General and administrative costs decreased 7.2% YoY, to €111.2mn. This reduction also reflects the continued rationalisation and streamlining of the Bank's internal processes.

As at 30 September 2020 the branch network comprised 376 units (vs Sep.19: 395).

## Impairments and Provisions

NOVO BANCO Group increased provisions by €833.3mn, higher by €229.7mn if compared with 9M19 of €603.7mn.

NET IMPAIRMENTS AND PROVISIONS	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	30-Sep-20	Change	
				absolute	%
Customer Loans	456.2	389.4	383.3	-6.1	-1.6%
Securities	-2.2	-2.1	17.5	19.7	...
Other Assets and Contingencies	186.9	216.4	432.5	216.1	99.9%
<b>TOTAL</b>	<b>640.9</b>	<b>603.7</b>	<b>833.3</b>	<b>229.7</b>	<b>38.0%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

The high level of provisioning in the first nine months of 2020 reflects the impact of the Covid-19 pandemic, additional losses and the reclassification of the business in Spain as discontinued operations.

The economic slowdown as a result of the pandemic inevitably led to an increase in the cost of risk, with impairments for credit risks being increased by €195.1mn (customer loans and securities) 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 quarter.

## 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-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20	YTD Change	
						absolute	%
						<b>Loans to corporate customers</b>	<b>17 200</b>
<b>Loans to Individuals</b>	<b>11 586</b>	<b>11 211</b>	<b>11 823</b>	<b>11 476</b>	<b>11 402</b>	<b>- 74</b>	<b>-0.6%</b>
Residential Mortgage	10 017	9 840	10 264	10 108	10 046	- 61	-0.6%
Other Loans	1 568	1 371	1 558	1 368	1 356	- 13	-0.9%
<b>Customer Loans (gross)</b>	<b>28 786</b>	<b>27 003</b>	<b>27 055</b>	<b>25 396</b>	<b>25 927</b>	<b>531</b>	<b>2.1%</b>
Provisions	3 710	3 591	1 852	1 794	1 815	20	1.1%
<b>Customer Loans (net)</b>	<b>25 076</b>	<b>23 412</b>	<b>25 202</b>	<b>23 602</b>	<b>24 113</b>	<b>511</b>	<b>2.2%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

NOVO BANCO's commitment to support corporates and households, resulted in the granting of €7.1bn of support moratoria, representing circa 27% of the gross loan book, along with €1.1bn of guaranteed credit lines granted to corporates, of which ~85% already disbursed. The moratoria support more than 40,400 clients and were granted under the regulatory framework and banking protocols. As of Sep.20, moratoria represented ~33% of the corporate portfolio, ~21% of the mortgage book and ~16% of Other individual loans portfolio.

In the period, gross customer loans increased by €531mn relative to Dec.19. The increase in loans to customers in the first nine months of 2020 includes a reduction of -€458mn of non-performing loans in the legacy activity. In the recurrent activity, loan volumes increased by 4.1%, with improvements in the corporate portfolio of +8.4%.

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

ASSET QUALITY AND COVERAGE RATIOS	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20	YTD Change	
						absolute	%
						Overdue Loans > 90 days	2 869
Non-Performing Loans (NPL) <sup>1</sup>	5 871	5 633	3 430	3 312	2 807	- 504	-15.2%
Overdue Loans > 90 days / Customer Loans (gross)	10.0%	10.0%	4.0%	4.0%	3.4%	-0.6 p.p.	
Non-Performing Loans (NPL) <sup>1</sup> / Customer Loans (gross) + Deposits with banks and advances to banks (gross)	19.5%	19.9%	11.8%	12.0%	9.7%	-2.4 p.p.	
Credit Provisions / Customer Loans	12.9%	13.3%	6.8%	7.1%	7.0%	-0.1 p.p.	
Coverage of Overdue Loans > 90 days	129.3%	133.5%	171.0%	178.6%	208.0%	29.4 p.p.	
Coverage of Non-Performing Loans <sup>1</sup>	64.5%	65.2%	56.2%	56.5%	76.3%	19.8 p.p.	

<sup>1</sup> Includes Deposits and Loans and advances to Banks and Customer Loans

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

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 3.4% and 9.7%, respectively (versus 4.0% and 12.0% on Dec.19).

On 30 September 2020, the coverage of non-performing loans by impairments (including deposits with banks and loans and advances to banks) was 76.3% (+19.8pp compared to Dec.19).

Provisions for credit amounted to €1.8bn, representing 7.0% of the total loan book.

## SECURITIES

The securities portfolio, the main source of eligible assets for funding operations with the ECB, totalled €11.4bn on 30 September 2020 and represented 25.1% of assets.

net of impairment						mn€	
Securities portfolio	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20	YTD Change	
						absolute	relative
Portuguese sovereign debt	4 220	4 220	4 071	4 071	3 397	- 674	-16.5%
Other sovereign debt	3 773	3 739	3 750	3 716	3 711	- 6	-0.2%
Bonds	2 822	2 822	2 883	2 883	3 289	406	14.1%
Other	1 597	1 595	1 337	1 335	973	- 362	-27.1%
<b>Total</b>	<b>12 412</b>	<b>12 375</b>	<b>12 042</b>	<b>12 005</b>	<b>11 370</b>	<b>- 635</b>	<b>-5.3%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

## FUNDING

As at 30 September 2020 total customer funds amounted to €32.0bn with deposits, which represent 82.2% of total funding, increasing by 1.4% YTD.

TOTAL FUNDS	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20	YTD change	
						absolute	%
Deposits	28 048	25 930	27 835	25 966	26 324	358	1.4%
Other Customer Funds <sup>(1)</sup>	421	421	566	566	421	- 144	-25.5%
Debt Securities <sup>(2)</sup>	700	700	708	708	705	- 3	-0.4%
Subordinated Debt	406	406	415	415	407	- 8	-2.0%
<b>Sub -Total</b>	<b>29 575</b>	<b>27 457</b>	<b>29 523</b>	<b>27 654</b>	<b>27 857</b>	<b>202</b>	<b>0.7%</b>
Off-Balance Sheet Funds	5 336	4 477	4 925	4 103	4 175	72	1.8%
<b>Total Funds</b>	<b>34 911</b>	<b>31 934</b>	<b>34 448</b>	<b>31 757</b>	<b>32 031</b>	<b>274</b>	<b>0.9%</b>

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

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

(2) Includes funds associated to consolidated securitisation operations.

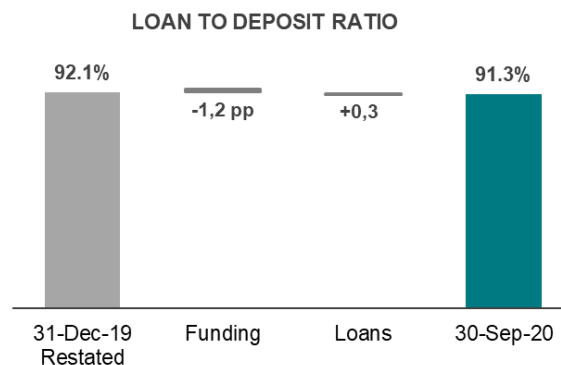
## LIQUIDITY

Up to September 2020, deposits and other customer funds increased by circa €214mn YTD, standing at €26.7bn. The trend of increased customers funds during the year results largely from the fall in economic activity in 2020, translated into less investment by companies and consumption by retail customers. The combination of these effects led to the increase in resources, both retail and corporate segment.

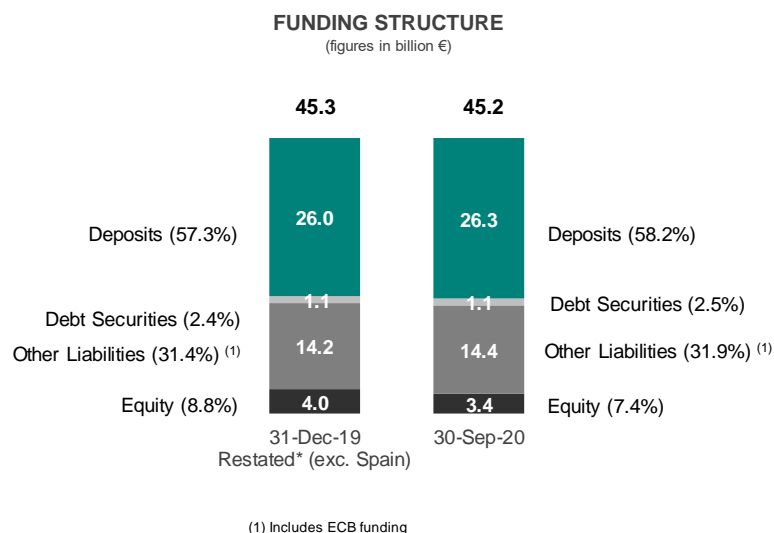
In terms of asset evolution, NOVO BANCO increased year-to-date its consolidated loan portfolio by more than 2%, while the securities portfolio showing a decrease (-5.3%). This reduction in the securities portfolio is due to the

implementation of a risk reduction strategy, reflected in the exchange of longer-term securities for medium-term debt. Additionally, the amount of funds from other credit institutions is around €3.1bn, representing a reduction of €517mn compared to Dec.19. Notwithstanding this reduction, the Bank maintained a very comfortable liquidity position, reflected in the level of the Liquidity Coverage Ratio (LCR) which at 30 September 2020 was 140% (compared with 143% at the end of 2019), considerably above the regulatory requirement (100%), and in the Net Stable Funding Ratio (NSFR) of 113% (compared with 101% at the end of 2019).

On 30 September 2020, the portfolio of eligible assets for rediscount with the European Central Bank, totalled €16.4bn (net haircut value), which compares with €15.3bn in Dec.19. Considering other HQLA assets not eligible at the ECB, NOVO BANCO maintained a liquidity buffer above €11bn.



Customer deposits remain the main source of balance sheet funding, accounting for 62.9% of total liabilities and 58.2% of total assets.



## 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.

As at 30 September 2020, CET1 ratio was 12.0% and total solvency ratio was 13.9% (preliminary), representing a decrease compared to the end of 2019 due to the decrease in the minimum capital condition of the Contingent Capital Agreement, from the 13.5% Tier 1 verified at the end of last year to the current 12.0% CET 1.

In this context, it is important to highlight the fact that the European Central Bank (ECB) disclosed during March 2020 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 environment.

		mn€			
<b>CAPITAL RATIOS (CRD IV/CRR)</b>		<b>30-Sep-19</b>	<b>31-Dec-19</b>	<b>30-Sep-20 *</b>	<b>30-Sep-20 *</b>
			<i>(Phased-in)</i>	<i>(Phased-in)</i>	<i>(fully loaded)</i>
Risk Weighted Assets	(A)	30 495	29 579	26 900	26 736
Own Funds					
Common Equity Tier 1	(B)	4 119	3 996	3 228	3 025
Tier 1	(C)	4 120	3 998	3 230	3 026
Total Own Funds	(D)	4 608	4 475	3 738	3 535
Common Equity Tier 1 Ratio	(B/A)	13.5%	13.5%	12.0%	11.3%
Tier 1 Ratio	(C/A)	13.5%	13.5%	12.0%	11.3%
Solvency Ratio	(D/A)	15.1%	15.1%	13.9%	13.2%
Leverage Ratio			8.4%	6.9%	6.4%

\* preliminary

## COMMERCIAL ACTIVITY

In the first nine months 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 been, following the impacts of the Covid-19 pandemic on its corporate customer base, positioned as a key strategic partner in three main areas:

- financial support to small and medium-sized enterprises in the Covid environment - by 30 September it had contracted in excess of €1bn in loans to more than 4,700 clients, under protocols signed with the Mutual Guarantee Societies in the context of the Economic Support Credit Lines;
- response to requests for moratoria on loans from approximately 8,000 clients, for an overall amount of €4.8bn;
- sustained focus on the digital transformation of processes, investing in remote relationship and signature tools so as to continue to address the needs of its clients quickly but in compliance with the social distancing restrictions imposed in the Covid context.

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 is 15.8%, and in deposits, where it stands at 13.9%<sup>1</sup>.

By September 2020 production of medium- and long-term loans to the medium-sized companies and Corporate segment had reached €1.8bn, of which 38% under the Covid protocol credit lines, upholding NOVO BANCO's 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 specialized advice designed to support international trade. The Bank's know-how in this segment is much valued by companies, which reward it with a market share of 19.3%<sup>2</sup>.

As to the assessment made by the corporate clients of NOVO BANCO and its team, the level of "Customer Service Satisfaction" remained above 90% (percentage of responses of 8 to 10 in a scale of 1 to 10) in August 2020.

Pursuing this year's edition of the "Our Champions" project, NOVO BANCO, in partnership with the SIC tv channel, held on the 7th of July the third and last Summit in webinar format, this time dedicated to the industrial sector.

Also, in its drive to promote the role of companies within the Portuguese business community, NOVO BANCO and the Exame magazine launched the initiative "PME Leader 2020 - We are open to SMEs that aspire to be leaders".

The aim of this initiative is to debate the role of the national companies in the current economic and social context, and that of Leader SMEs. In the third quarter it involved the publication of four industry-specific newsletters addressing, among other topics, the behaviour of companies and their challenges, evolution perspectives and success cases, in each of the four major areas of domestic economic activity.

<sup>1</sup> Non-Financial Corporations, resident in the Monetary Union, with contracts in euros - July 2020.

<sup>2</sup> September 2020, measured by the number of Swift messages.

The first of two Webinars also planned under this initiative took place on 22 July, under the title “SMEs resilience to adversity”. The event had the participation of Turismo de Portugal, IAPMEI, SPGM and NOVO BANCO.

NOVO BANCO's objective is to maintain a competitive positioning in the corporate segment, and to support exporting companies and the most dynamic and innovative industries. The Bank will continue to invest in the development of digital services, the streamlining of processes and improving the service experience. Proximity to the clients will remain the key factor driving innovative solutions designed to respond to the needs of its clients, enhancing the Bank's role as partner of the Portuguese business community.

## Retail Banking

Following a sharp downturn of the economy in the first half of 2020, due to the spreading of the Covid-19 pandemic, the third quarter or the year saw a slight economic recovery, although not sufficient to make up for the losses in the previous semester.

During the period NOVO BANCO remained open and available to serve its clients, pursuing the solutions implemented in the previous quarter, both in terms of maintaining the branches opened - following all the rules on the protection of clients and employees - and in terms of continuing to encourage and provide training on the use of the remote and digital channels.

NOVO BANCO also maintained full support to its clients, setting in motion and making available credit lines to assist companies affected by the crisis, and taking part in the banking sector's global solution to prop up families in difficulties due to the pandemic (moratoria on residential mortgage loans and personal loans, with deadline for application having meanwhile been extended to the end of September).

As to the credit offering, after a contraction in Mortgage Loans production up to August, reflecting the impacts of the Covid-19 pandemic, September saw a sharp increase, restoring new production to the levels achieved in the first quarter.

Likewise, Consumer Loans contracted sharply in the second quarter of 2020, reflecting the overall economic mood, only to pick in July, August and September, bolstering NOVO BANCO's positioning as an expert in Credit solutions with an excellent level of service. The Bank maintains a permanent Non-financial Offering, regularly launching thematic products, some of them exclusive in the overall market. This business line has shown consistent growth over the last months, with an average production in the third quarter four times higher than in the previous year.

NOVO BANCO's focus on the well-being of its clients took shape in the recently launched new offering of service accounts designed to meet the everyday needs of the various segments. Moreover, the fully remote account opening, by video call of digital mobile key, became a reality as from September.

As to saving and investment solutions, NOVO BANCO has been rolling out, in a phased manner, an Investment Advisory Service for its NB360° Singular clients featuring investment propositions that best suit each client's profile.

To achieve differentiation in customer service, NOVO BANCO relies on its vast offering to provide different value propositions matching the various risk profiles and return expectations. In this regard, 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, whose performance is linked to companies that are leading the change of economic models in their industry sectors, and are at the forefront of best environmental, social and governance (ESG) practices.

Amidst the upheaval of the Covid-19 and consequent turmoil in the financial markets, NOVO BANCO met the challenges, providing close support to its investor clients and an adequate response to their needs. Demand in the period leaned towards thematic investments, such as the pharmaceutical and technology sectors, but there was also interest, via EFTs, in gold as a haven. All the Bank's Saving and Investment monitoring efforts focused on showing the importance of portfolio diversification.

In addition, measures were taken to ease and digitise processes so as to lessen the impacts of the pandemic on the regular commercial activity, namely allowing for the remote subscription and formalisation of contracts (e.g.



digital signature in NBnet, to subscribe Structured Term Deposits, or online access to the Covid-19 protocol credit lines).

The outbreak of Covid-19 and subsequent declaration of a state of emergency, at the end of the first quarter, generally constrained performance in the following months: in the small businesses segment, the mandatory door closing for most clients during the month of April and progressive reopening in May and June, created pressure on the revenue side and the necessity to support these clients' cash needs. NOVO BANCO's constant proximity to its customers allowed it to, from the outset, inform and offer them appropriate solutions for each case, the result of which is visible in the 5.6% growth of the loan portfolio in the third quarter. Underpinned by the Bank's prompt and ready response, at the end of September the number of clients in this segment had increased year-on-year by 5.6% and the number of service accounts by 7.2%. Turnover from NOVO BANCO's POS terminals declined during the months of emergency and calamity status. August and September already saw higher turnover volumes than the same months in 2019, contributing to a return to normality.

## NB DIGITAL

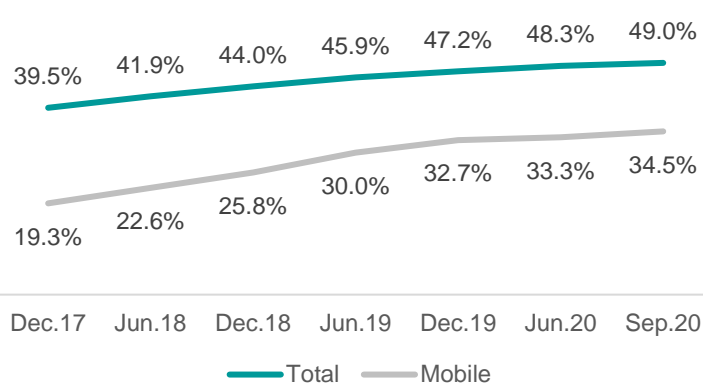
NOVO BANCO's Digital Transformation emerges from a context of fast-expanding and increasingly intense digital disruption, with ever higher customer expectations.

During the third quarter of 2020 Novo Banco pursued its digital transformation path, now focusing its priorities on a response to the needs created by the Covid-19 pandemic. With restrictions on mobility and the resulting economic impacts, new opportunities arose to better serve the clients, meet their needs and cement the commercial relationship. All the while, the Bank continued to offer a set of structural evolutions:

- Account opening by Video Call: in addition to account opening via Digital Mobile Key, Novo Banco now also offers the possibility to open an account by video call. This new account opening facility aims to improve the onboarding experience of our future clients and provide them an all-inclusive, fast and intelligent experience, while at the same time improving the Bank's internal efficiency.
- Improvements in applications for loans under the new protocol credit lines through NBnetwork: the process is now more automated, and access can be made directly through Novo Banco's website.
- Optimisation of the Digital Channels activation process through NB website.
- Batch payments, payments to the Social Security and sending of payment files now available through the Open Banking channel.
- Alternative signature solution via NBnetwork, with no need for Digital Certificates / PKI (public key infrastructure) Signatures.
- Launch of pilot functionalities for deep aggregation of accounts, sorting of account entries, payments initiation, financial calendar and events through NBnetwork.
- Launch of pilot for new forms of paperless formalisation of transactions for 13 different types of transactions, with validation and authentication codes through the channels (both remote and face-to-face), contributing to environmental sustainability and increased efficiency.
- Launch of pilot for remote sharing of NBnet and NBnetwork sessions - upon the client's authorisation (through the digital channel), the Bank employee may access the digital channel and make transactions together with the client.

The quality of the digital transformation initiatives which NOVO BANCO has been deploying have deserved recognition from the market.

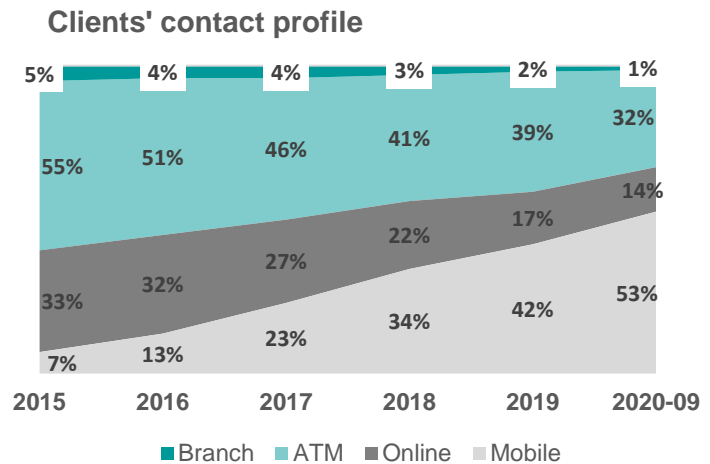
### Penetration rate of active digital clients



In August 2020, for the second year running, NOVO BANCO was the winner in the "Best Integrated Corporate Banking Site in Western Europe category, in the first round of the 2020 World's Best Digital Bank Awards held by the prestigious Global Finance magazine. This award once again proves the recognition afforded to Novo Banco's digital solutions for the corporate market, which include Nbnetwork, its Internet Banking service for businesses, with a broad-based functional coverage permitting to carry out a vast range of transactions autonomously and in a simple, intuitive and effective manner.

Betting on the quality of its deliveries, this year NOVO BANCO is competing for the first time in the Finovate Awards. This event, held every year, celebrates the best the Fintech industry has to offer in Financial & Banking Technology. In August, two new initiatives - Home Buying – a new home purchase experience via an omnichannel platform (online and at the branch) for home loan simulation and contracting -, and Small Business Finance – the new fully digital experience designed for the small businesses segment, whereby clients may apply for short-term loans, with funds disbursed in less than 48 hours - were shortlisted for these prestigious innovation awards.

In the third quarter of 2020 the digital activity of NOVO BANCO's Clients maintained a steady growth pace, with the digital Clients' penetration rate reaching 47% in Individual Clients, 79% in Corporate Clients, and 68% in Small Business Clients, in September. The penetration rate, which has been increasing since February, i.e., from the start of the Covid-19 pandemic, has maintained a rising trend, particularly in the Individual Clients segment, where mobile banking has been acting as a strong lever. Mobile banking penetration in the Individual Clients segment has reached 33% (+3pp YoY).



The number of active digital Clients increased to more than 592 thousand (+4% YoY), of which 380 thousand are active users of NB smart app (+10% YoY), NOVO BANCO's main mobile banking application. NB smart app's average score in Google Play and Apple's App Store remains high (4.6 and 4.7 out of 5, respectively), which means that the quality perceived by the final users also remains at a high level.

The number of accesses to the Bank via the digital channels has continued to show a strong increase (+14% in logins volume), strongly underpinned by the number of accesses via the mobile channels (+22% in logins volume). At present, 53% of individual clients' contacts with Novo Banco are Mobile (+8pp YTD). The digital channels, strongly driven by mobile, thus prove to be the point of relationship par excellence with the client, backing the adoption of a "mobile digital first" strategy.

## ECONOMIC ENVIRONMENT

The first nine months of 2020 were marked by the outbreak of Covid-19, which hit with particular force the 2nd quarter of the year, due to the strict lock-up measures implemented in the main economies. In the Eurozone and in Portugal, GDP retreated by 11.8% and 13.9% in the 2Q20 (QoQ). The gradual reopening of the economies spurred an initially fast upswing of activity, with GDP quarterly growth rates in the 3rd quarter of 12.7% in the Eurozone and 13.2% in Portugal (-5.8% YoY in Portugal).

In response to the fall-out of activity, fiscal policy in the main economies took a strongly expansionary turn. In the Eurozone and in Portugal, the measures deployed to support households' income and employment, and the liquidity of businesses (through loan moratoria and guarantees) cushioned the negative impacts of the pandemic. In turn, the main central banks accentuated the expansionary stance of monetary policy.

In the US, the Fed lowered the fed funds target rate from 1.5%-1.75% to 0%-0.25% and expanded its balance sheet from \$4.2 to \$7 trillion. In the Eurozone, the ECB maintained the key rates unchanged (deposit facility rate at -0.5%), but significantly increased its purchases of debt securities, creating new programmes (PEPP, PELTRO) and reinforcing those already in place (PSPP), and easing restrictions on the purchase of debt from the peripheral economies. The ECB balance sheet expanded from €4.7 to €6.7 trillion at the end of Sep-20.

This context of ample liquidity combined with the attractiveness of the technology industry drove a strong rally in the stock market, from its lows in Mar-20. Even factoring in a correction in Sep-20, the S&P 500 and DAX indices rallied by 50% and 46% since their lows. In the 9M20 the S&P 500 gained 4.1% while the DAX retreated by 3.7%.

The retrenchment of inflation and inflationary expectations, combined with the ECB's expansionary posture, pushed the 3-month Euribor from an annual high of -0.16% in April down to -0.498% at the end of 3Q 2020. Following a period of high volatility between March and June, the yield on the 10-year Bund went on a downward slide up to the end of September, when it reached -0.52%.

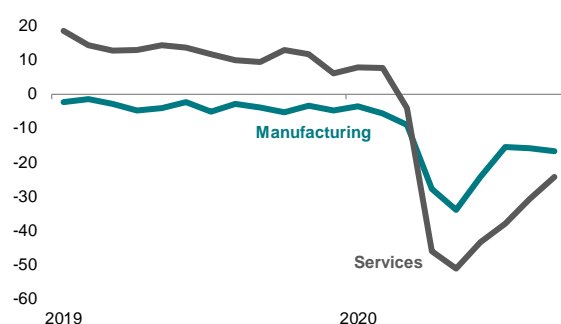
### Market Performance

Equity Market	YTD	
Dow Jones	-9.6	
S&P 500	-4.0	
Nasdaq	12.1	
Euro Stoxx 600	-13.3	
IBEX	-24.3	
PSI 20	-15.8	
<hr/>		
Sovereign Bonds (Yield %)	2 yrs	5 yrs
Portugal	-0.57	-0.22
Germany	-0.57	-0.71
United States	-0.57	0.28
<hr/>		
Sovereign Bonds (Performance bps)	2 yrs	5 yrs
Portugal	-10	-14
Germany	-1	-1
United States	2	-1

The spread on the 10-year PGB remained tight, closing the 3Q at 79 bps (vs. 63 bps at the start of the year and 134 bps at the end of 1Q). The Portuguese debt benefited from a relatively favourable external outlook on the Portuguese economy, from the ECB's purchase of Portuguese debt, and from the optimism generated around the announcement of a European Recovery Fund (Next Generation EU). The EUR advanced against the USD, to EUR/USD 1.172 at the end of September, vs. 1.123 at the beginning of the year.

In the Eurozone, the activity take-off as from the 3Q was asymmetrical, with a better performance of the core economies versus the periphery and a faster recovery of industry versus services. The end of this quarter also saw an increase in cases of Covid-19 in Europe and signs of a certain slowdown of economic activity.

### Portugal - Economic Sentiment Indicator



In Portugal, the Covid-19 shock was magnified by the country's higher relative exposure to the tourism, food-service and commerce sectors. Though recovering from their lows in the 2Q, mainly shored up by the domestic sector, in Aug-20 overnight stays in tourism establishments were still 47% YoY. In this month turnover from services retreated by 14% YoY and was still 15% behind pre-Covid levels. On the other hand, industrial production grew by 3% YoY in Aug-20, surpassing its level in Feb-20.

## SUBSEQUENT EVENTS AND MOST RELEVANT EVENTS

- On September 1, NOVO BANCO became aware of the Report of the independent audit carried out by Deloitte. According to the note sent by the Ministry of Finance, the audit report “shows that the losses incurred by NOVO BANCO resulted almost entirely from exposures originated during Banco Espírito Santo's activity which were transferred to NOVO BANCO within the scope of the resolution.
- On October 8, NOVO BANCO closed the sale of the 25% stake in GNB - Seguros, a non-life insurance company, to Crédit Agricole Assurances, an entity of Crédit Agricole group, which already held the remaining 75% of the capital of GNB Seguros, for a total amount of €15.9mn. This operation also includes the signing of a non-life insurance distribution contract, for the Portuguese market, with GNB Seguros, for a period of 22 years. The sale has an expected positive impact on the Income Statement, of approximately €6mn.
- NOVO BANCO's Shareholders Meeting approved on 22 October the General and Supervisory Board (GSB) members (subject to the authorization of the relevant regulatory authorities) for the four-year period 2021-2024 , composed of 10 members led by Byron Haynes (as Chairman) and Karl-Gerhard Eick (as Vice-Chairman), including the new member William Henry Newton, former partner in Deloitte's Financial Institutions Group with 33 years of experience in credit risk, business recovery and portfolio management.  
  
GSB also appointed members to the Executive Board of Directors (subject to the authorization of the relevant regulatory authorities) for the 2021-2024 term, in accordance with the Novo Banco governance model, which is based on international best practices. GSB appointed António Ramalho as Chief Executive Officer; Mark Bourke as Chief Financial Officer; Luísa Soares da Silva as Chief Legal and Compliance Officer; Rui Fontes as Chief Risk Officer; and Luis Ribeiro as Chief Commercial Officer (Retail). GSB also approved the appointment of Andrés Baltar as a new member of the Bank's Executive Board of Directors as Chief Commercial Officer (Corporate). Andrés Baltar has over 20 years of experience in corporate banking, having led this area of Barclays Bank in Europe, which included responsibility for Portugal and Spain. Over 6 years of direct work in Portugal allowed him to acquire a deep knowledge of the Portuguese business sector and the SME segment.
- On November 11, NOVO BANCO announced tender offers of NB Finance bonds outstanding. The deadline for participating in the Offers is 4:00 p.m. (Lisbon/London time) on 4 December 2020.

MAIN HIGHLIGHTS	30-Sep-19	30-Sep-19 Restated* (exc. Spain)	31-Dec-19	31-Dec-19 Restated* (exc. Spain)	30-Sep-20
<b>ACTIVITY (mn€)</b>					
Net Assets	44 826	44 826	45 296	45 296	45 225
Customer Loans (gross)	28 786	27 003	27 055	25 396	25 927
Customer Deposits	28 048	25 930	27 835	25 966	26 324
Equity	4 206	4 206	4 003	4 003	3 353
<b>SOLVENCY</b>					
Common Equity/Tier I / Risk Weighted Assets <sup>(3)</sup>	13.5%	13.5%	13.5%	13.5%	12.0%
Tier I / Risk Weighted Assets <sup>(3)</sup>	13.5%	13.5%	13.5%	13.5%	12.0%
Total Capital / Risk Weighted Assets <sup>(3)</sup>	15.1%	15.1%	15.1%	15.1%	13.9%
<b>LIQUIDITY (mn€)</b>					
European Central Bank Funding <sup>(2)</sup>	5 982	5 982	4 714	4 714	4 667
Eligible Assets for Repo Operations (ECB and others), net of haircut	15 227	15 227	15 253	15 253	16 376
(Total Credit - Credit Provision) / Customer Deposits <sup>(1)</sup>	90%	90%	92%	92%	91%
Liquidity Coverage Ratio (LCR) <sup>(3)</sup>	120%	120%	143%	143%	140%
Net Stable Funding Ratio (NSFR) <sup>(3)</sup>	108%	108%	101%	101%	113%
<b>ASSET QUALITY</b>					
Overdue Loans > 90 days / Customer Loans (gross)	10.0%	10.0%	4.0%	4.0%	3.4%
Non-Performing Loans (NPL) / (Customer Loans + Deposits with banks and Loans and advances to banks)	19.5%	19.9%	11.8%	12.0%	9.7%
Credit Provision / Overdue Loans > 90 days	129.3%	133.5%	171.0%	178.6%	208.0%
Credit Provision / Customer Loans (gross)	12.9%	13.3%	6.8%	7.1%	7.0%
Cost of Risk	2.11%	1.92%	2.32%	2.13%	1.97%
<b>PROFITABILITY</b>					
Net Income for the Period (mn€)	-572.3	-572.3	-1058.8	-1058.8	-853.1
Income before Taxes and Non-controlling interests / Average Net Assets <sup>(1)</sup>	-1.8%	-1.8%	-2.1%	-2.1%	-2.7%
Banking Income / Average Net Assets <sup>(1)</sup>	1.1%	0.9%	0.9%	0.6%	1.5%
Income before Taxes and Non-controlling interests / Average Equity <sup>(1)</sup>	-19.0%	-19.0%	-22.3%	-22.3%	-30.2%
<b>EFFICIENCY</b>					
Operating Costs / Banking Income <sup>(1)</sup>	92.6%	103.2%	113.8%	156.1%	62.8%
Staff Costs / Banking Income <sup>(1)</sup>	51.4%	58.1%	63.1%	87.7%	36.1%
<b>EMPLOYEES (No.)</b>					
Total	4 967	4 967	4 869	4 869	4 668
- Domestic	4 701	4 701	4 648	4 648	4 646
- International	266	266	221	221	22
<b>BRANCH NETWORK (No.)</b>					
Total	395	395	387	387	376
- Domestic	375	375	375	375	375
- International	20	20	12	12	1

\* Values restated to consider the transfer of the Spanish Branch to discontinued operations, which occurred in the third quarter of 2020

(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 SEPTEMBER 2020 AND 30 SEPTEMBER 2019**

thousands of Euros

	30.09.2020	30.09.2019
Interest Income	546 281	562 528
Interest Expenses	( 145 248)	( 160 819)
<b>Net Interest Income</b>	<b>401 033</b>	<b>401 709</b>
Dividend income	9 776	9 083
Fee and comission income	228 107	262 108
Fee and comission expenses	( 35 393)	( 40 040)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	82 772	64 035
Gains or losses on financial assets and liabilities held for trading	( 72 620)	( 102 529)
Gains or losses on financial assets mandatorily at fair value through profit or loss	( 285 985)	( 26 418)
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	-	( 97)
Gains or losses from hedge accounting	( 6 858)	( 17 129)
Exchange differences	( 12 443)	23 494
Gains or losses on derecognition of non-financial assets	994	( 3 001)
Other operating income	64 835	120 182
Other operating expenses	( 127 579)	( 296 011)
<b>Operating Income</b>	<b>246 639</b>	<b>395 386</b>
Administrative expenses	( 294 037)	( 334 903)
<i>Staff expenses</i>	( 182 833)	( 200 611)
<i>Other administrative expenses</i>	( 111 204)	( 134 292)
Cash contributions to resolution funds and deposit guarantee schemes	( 35 048)	( 34 707)
Depreciation	( 24 057)	( 26 888)
Provisions or reversal of provisions	( 38 995)	34 613
<i>Commitments and guarantees given</i>	8 941	54 200
<i>Other provisions</i>	( 47 936)	( 19 587)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	( 654 197)	( 453 936)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	( 1 625)	859
Impairment or reversal of impairment on non-financial assets	( 138 528)	( 222 421)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	2 371	1 589
<b>Profit or loss before tax from continuing operations</b>	<b>( 937 477)</b>	<b>( 640 408)</b>
Tax expense or income related to profit or loss from continuing operations	77 723	51 231
Current tax	10 766	( 6 368)
<i>Deferred tax</i>	66 957	57 599
<b>Profit or loss after tax from continuing operations</b>	<b>( 859 754)</b>	<b>( 589 177)</b>
Profit or loss from discontinued operations	( 439)	1 148
<b>Profit or loss for the period</b>	<b>( 860 193)</b>	<b>( 588 029)</b>
<b>Attributable to Shareholders of the parent</b>	<b>( 853 115)</b>	<b>( 572 345)</b>
Attributable to non-controlling interests	( 7 078)	( 15 684)
	<b>( 860 193)</b>	<b>( 588 029)</b>

## NOVO BANCO, S.A.

## CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2020 AND AS AT 31 DECEMBER 2019

	thousands of Euros	
	30.09.2020	31.12.2019
<b>ASSETS</b>		
Cash, cash balances at central banks and other demand deposits	2 749 195	1 854 081
Financial assets held for trading	600 283	748 732
Financial assets mandatorily at fair value through profit or loss	1 063 153	1 314 742
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	7 961 102	8 849 896
Financial assets at amortised cost	26 372 378	27 141 460
Securities	2 221 862	1 622 545
Loans and advances to banks	108 815	369 228
Loans and advances to customers	24 041 701	25 149 687
Derivatives – Hedge accounting	8 682	7 452
Fair value changes of the hedged items in portfolio hedge of interest rate risk	72 054	52 540
Investments in subsidiaries, joint ventures and associates	93 948	92 628
Tangible assets	758 816	889 152
Tangible fixed assets	168 621	188 408
Investment properties	590 195	700 744
Intangible assets	39 774	26 378
Tax assets	849 232	900 095
Current Tax Assets	236	1 628
Deferred Tax Assets	848 996	898 467
Other assets	2 880 737	3 378 492
Non-current assets and disposal groups classified as held for sale	1 775 826	40 255
<b>TOTAL ASSETS</b>	<b>45 225 180</b>	<b>45 295 903</b>
<b>LIABILITIES</b>		
Financial liabilities held for trading	577 737	544 825
Financial liabilities designated at fair value through profit or loss	89 294	102 012
Financial liabilities measured at amortised cost	38 337 737	39 673 649
Deposits from central banks and other banks	10 102 174	9 849 623
Due to customers	26 745 251	28 400 127
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	1 066 427	1 065 211
Other financial liabilities	423 885	358 688
Derivatives – Hedge accounting	79 240	58 855
Provisions	254 556	307 817
Tax liabilities	15 228	17 980
Current Tax liabilities	10 398	11 873
Deferred Tax liabilities	4 830	6 107
Other liabilities	538 592	586 066
Liabilities included in disposal groups classified as held for sale	1 980 077	1 942
<b>TOTAL LIABILITIES</b>	<b>41 872 461</b>	<b>41 293 146</b>
<b>EQUITY</b>		
Capital	5 900 000	5 900 000
Accumulated other comprehensive income	( 793 475)	( 702 311)
Retained earnings	(7 202 828)	(6 115 245)
Other reserves	6 266 152	5 942 501
Profit or loss attributable to Shareholders of the parent	( 853 115)	(1 058 812)
Minority interests (Non-controlling interests)	35 985	36 624
<b>TOTAL EQUITY</b>	<b>3 352 719</b>	<b>4 002 757</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>45 225 180</b>	<b>45 295 903</b>



## GLOSSARY

### *Income Statement*

<b>Fees and commissions</b>	Fee and commission income less fee and commission expense
<b>Commercial banking income</b>	Net interest income and fees and commissions
<b>Capital markets results</b>	Dividend income, gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets mandatorily at fair value through profit or loss, gains or losses on financial assets and liabilities designated at fair value through profit and loss, gains or losses from hedge accounting and exchange differences
<b>Other operating results</b>	Gains or losses on derecognition of non-financial assets, other operating income, other operating expenses, share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method
<b>Banking income</b>	Net interest income, fees and commissions, capital markets results and other results
<b>Operating costs</b>	Staff costs, general and administrative expenses and depreciation and amortisation
<b>Net operating income</b>	Banking income - operating costs
<b>Provisions and impairments</b>	Provisions or reversal of provisions, impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates and impairment or reversal of impairment on non-financial assets

### *Balance Sheet / Liquidity*

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

### *Asset Quality and Coverage Ratios*

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

GLOSSARY

**Efficiency and Profitability Ratios**

<p><b>Efficiency (Staff costs / Banking income)</b> Banco de Portugal Instruction n. 16/2004</p>	<p>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).</p>
<p><b>Efficiency (Operating costs / Banking income)</b> Banco de Portugal Instruction n. 16/2004</p>	<p>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).</p>
<p><b>Profitability</b> Banco de Portugal Instruction n. 16/2004</p>	<p>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.</p>
<p><b>Return on average net assets</b> Banco de Portugal Instruction n. 16/2004</p>	<p>Ratio of income before tax and non-controlling interests to average net assets.</p>
<p><b>Return on average equity</b> Banco de Portugal Instruction n. 16/2004</p>	<p>Ratio of income before tax and non-controlling interests to average equity.</p>

€mn: million euros

€bn: billion euros

pp: percentage points

bps: basis points

QoQ: quarter-on-quarter

YoY: year-on-year