

*"2021 was the first year of profitability. It was also a year of milestones including the return to the capital markets, the launch of a new brand and distribution model. The 4 consecutive quarters of consolidated profits denote a sustainable business growth, being on track to meet medium term financial targets and to continuous support to our customer and the Portuguese economy."*

**António Ramalho, CEO**

## HIGHLIGHTS

### TURNAROUND DELIVERED WITH A FIRST YEAR OF PROFITABILITY ACHIEVED

- **novobanco announces an annual net profit of €184.5mn** (vs -€1,329.3mn in 2020). This achievement represents the first annual positive net income of the Group since its creation, an important achievement for the end of the restructuring process initiated in 2017.

2021 underlying net income (pre-tax) of €282.7mn<sup>1</sup>, equivalent to 8.8% RoTE (Return on Tangible Equity).

- **Commercial banking income**, comprising Net interest income (+3.3% YoY) plus Fees and commissions (+3.9% YoY), **increased 3.5% YoY to €855.9mn in 2021** (1Q21: €208.5mn; 2Q21: €216.3mn; 3Q21: €213.2mn; 4Q21: €217.9mn). The improvement in net interest income reflects the reduction in average deposit rates, the lower cost of long-term financing and maintenance of pricing discipline.
- **The Bank's core operating income** (commercial banking income minus operating costs) **increased to €447.6mn (+13.3%; +€52.4mn YoY)**, driven both by improved commercial banking income and reduced operating costs (-5.4%; -€23.5mn YoY), with continued digital investment and operational optimisation.
- **Further improvement of Cost to Income ratio**, excluding markets and other operating results, reaching **47.7%** (vs 52.2% in 2020);
- **Credit impairments totalled €149.4mn**, including €71.8mn impairments for Covid-19 related risks, a YoY reduction of -71.5% or -€375.1mn. **The cost of risk was 60bp**, or 31 bps excluding impairments for Covid-19 related risks, demonstrating the successful ongoing de-risking strategy of the portfolio.

### SOLID BUSINESS MODEL WITH RESILIENT LENDING AND DEPOSITS GROWTH

- **Net customer loans at €23.7bn**, broadly stable across corporate, mortgage and consumer loan portfolio, also taking into account NPL disposals during the year;
- Total customer funds increased by +6.6% YTD, **with customer deposits increasing by 4.7% (+€1,222mn)**, reflecting growth of the business;
- **Continuous investment in digitalisation**, providing a unique omnichannel customer experience based on the novel distribution model and digital transformation led to: i) +7% YoY in active digital customers to 54.4% of total customer, and; ii) +165% YoY in the number of products sold through the digital channels (excl. deposits). The increased importance of **digital in sales was visible in Consumer loans** (+238% YoY to 1.1k loans granted digitally; 6% of total sales vs 2% in 2020) **and Investment Funds** (+231% YoY to 28.2k units; 27% of total sales vs 14.7% in 2020);
- **Continued reduction of the non-performing loans (NPL) ratio to 5.7% (Dec/20: 8.9%), with a coverage ratio of 71.4%**, demonstrating the continued de-risking of the balance sheet and reflecting progress towards achieving an NPL ratio in line with European average.

### STABLE CAPITAL RATIOS AND LIQUIDITY RATIO

The Bank's capital accretive business model and its continued focus on RWA discipline led to a **CET 1 ratio of 11.1% (vs 10.9% in 2020)** and **Total capital ratio of 13.1% (vs 12.8% in 2020)**. The liquidity ratio (LCR) was 182%, NSFR totalled 117%, and the Bank **complied with the MREL requirement as of 1 January 2022**.

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<sup>1</sup> Post special tax on Banks

## GROUP RESULTS

At the end of 2021, **novobanco** reported a profit of €184.5mn (+€1,513.8mn YoY). The change in profit is driven by (i) the improvement in the Bank's operating income (+€377.7mn), (ii) the lower level of impairments and provisions (-70.4%; -€838.7mn) and (iii) the recognition in 2020 of the loss of €300.2m in the revaluation of the Restructuring Funds.

In 2021 the underlying net income (pre-tax) would be €282.7mn, equivalent to a RoTE (Return on Tangible Equity; pre-tax) of 8.8%. The underlying net income (pre-tax) is net of special tax on Banks, and excludes market results and the extraordinary effects of the debt buyback (LME), the change in the pension fund actuarial calculation methodology, Covid provisions and other provisions, including a contingent liability resulting from the change to the real estate tax introduced by the 2021 State budget.

INCOME STATEMENT			mn€	
	31-Dec-20	31-Dec-21	Change	
			absolute	%
Net Interest Income	555.1	573.4	18.3	3.3%
+ Fees and Commissions	271.9	282.5	10.6	3.9%
<b>= Commercial Banking Income</b>	<b>827.0</b>	<b>855.9</b>	<b>28.9</b>	<b>3.5%</b>
+ Capital Markets Results	- 72.5	75.9	148.4	...
+ Other Operating Results	- 136.6	40.4	177.0	...
<b>= Banking Income</b>	<b>617.9</b>	<b>972.2</b>	<b>354.3</b>	<b>57.3%</b>
- Operating Costs	431.8	408.4	- 23.5	-5.4%
<b>= Net Operating Income</b>	<b>186.1</b>	<b>563.8</b>	<b>377.7</b>	...
+ Restructuring funds - independent valuation	- 300.2	0.0	300.2	100.0%
<b>- Net Impairments and Provisions</b>	<b>1 191.5</b>	<b>352.7</b>	<b>- 838.7</b>	<b>-70.4%</b>
Credit	524.4	149.4	- 375.1	-71.5%
Securities	41.0	47.8	6.8	16.5%
Other Assets and Contingencies	626.0	155.6	- 470.4	-75.1%
<b>= Income before Taxes</b>	<b>-1 305.6</b>	<b>211.1</b>	<b>1 516.6</b>	...
- Corporate Income Tax	1.1	- 15.2	- 16.3	...
- Special Tax on Banks	32.8	34.1	1.3	4.1%
<b>= Income after Taxes</b>	<b>-1 339.4</b>	<b>192.2</b>	<b>1 531.6</b>	...
- Non-Controlling Interests	- 10.1	7.7	17.8	...
<b>= Net Income for the period</b>	<b>-1 329.3</b>	<b>184.5</b>	<b>1 513.8</b>	...

In 2021, **novobanco** Group generated positive net income in all quarters, with quarter-on-quarter progress when excluding the extraordinary charges.

INCOME STATEMENT	1Q21	2Q21	3Q21	4Q21	QoQ change	
					absolute	%
Net Interest Income	145.7	143.5	140.9	143.2	2.3	1.6%
+ Fees and Commissions	62.8	72.8	72.3	74.6	2.3	3.2%
= <b>Commercial Banking Income</b>	<b>208.5</b>	<b>216.3</b>	<b>213.2</b>	<b>217.9</b>	<b>4.6</b>	<b>2.2%</b>
+ Market Results	52.8	40.5	-59.7	42.2	101.9	...
+ Other Operating Results	12.2	-41.3	30.3	39.2	8.9	29.3%
= <b>Banking Income</b>	<b>273.5</b>	<b>215.5</b>	<b>183.9</b>	<b>299.3</b>	<b>115.4</b>	<b>62.8%</b>
- Operating Costs	102.7	101.4	101.6	102.6	1.1	1.0%
= <b>Net Operating Income</b>	<b>170.8</b>	<b>114.1</b>	<b>82.3</b>	<b>196.6</b>	<b>114.3</b>	...
+ Restructuring funds - independent valuation	0.0	0.0	0.0	0.0	0.0	...
- <b>Net Impairments and Provisions</b>	<b>61.8</b>	<b>27.4</b>	<b>70.4</b>	<b>193.1</b>	<b>122.7</b>	...
Credit	54.9	29.8	30.3	34.4	4.1	13.5%
Securities	0.9	15.1	1.4	30.4	29.0	...
Other Assets and Contingencies	6.0	-17.5	38.7	128.4	89.6	...
= <b>Income before Taxes</b>	<b>109.0</b>	<b>86.7</b>	<b>11.9</b>	<b>3.5</b>	<b>-8.4</b>	<b>-70.4%</b>
- Taxes	4.2	16.9	-8.1	-28.2	-20.1	...
- Special Tax on Banks	32.8	1.5	0.0	-0.1	-0.1	...
= <b>Income after Taxes</b>	<b>72.0</b>	<b>68.4</b>	<b>20.0</b>	<b>31.8</b>	<b>11.9</b>	<b>59.4%</b>
- Non-controlling Interests	1.3	1.4	3.6	1.4	-2.2	-61.4%
= <b>Net Income</b>	<b>70.7</b>	<b>67.0</b>	<b>16.4</b>	<b>30.4</b>	<b>14.1</b>	<b>86.0%</b>
<b>Income before Taxes</b>	<b>109.0</b>	<b>86.7</b>	<b>11.9</b>	<b>3.5</b>		
Special tax on Banks	-32.8	-1.5	0.0	0.1		
Market Results	-52.5	-35.4	-11.1	-39.2		
LME one-off	0.0	0.0	73.5	0.0		
Pension Fund	0.0	0.0	0.0	-37.2		
Covid Provisions	21.8	13.4	5.0	31.6		
Other one-off provisions	10.0	0.0	0.0	125.9		
<b>Underlying Income Before Tax</b>	<b>55.5</b>	<b>63.3</b>	<b>79.3</b>	<b>84.8</b>		

Key features of the activity in the year are the following:

- Increase in commercial banking income, which amounted to €855.9mn (+3.5%; +€28.9mn YoY), driven by higher net interest income (+3.3%; +€18.3mn YoY), and an improvement in fees and commissions (+3.9%; +€10.6mn YoY);
- Capital markets results of +€75.9mn in 2021 mostly due to gains from the hedging of interest rate risk, which offset the negative impact (-€73.5mn) of the LME performed in Q3;
- Operating costs are lower YoY (-5.4%; -€23.5mn), standing at €408.4mn (1Q21: €102.7mn; 2Q21: €101.4mn; 3Q21: €101.6mn; 4Q21: €102.6mn), which reflects on the one hand the focus on cost efficiency achieved with processes simplification and optimisation, and on the other hand the investment in the business and in digital transformation, with both contributing to an improvement of the Bank's efficiency ratios;
- In 2021, net impairments and provisions amounted to €352.7mn (including €71.8mn impairment for Covid-19 related risks), representing a YoY reduction of -€838.7mn (-70.4%).

## Net Interest Income

Net interest margin is stable in 2021 when compared with 2020 (2020: 1.41%; 2021: 1.42%), with a 17bp reduction in the average liability rate, which offset the decrease in the average asset rate as a result of the lower loans rates.

mn€

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	31-Dec-20			31-Dec-21		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	38 597	1.77%	694	39 838	1.60%	645
Customer Loans	24 939	2.13%	541	24 995	2.01%	509
<i>Mortgage Loans</i>	9 987	1.20%	122	9 905	1.04%	104
<i>Consumer Loans and Others</i>	1 328	6.24%	84	1 380	5.86%	82
<i>Corporate Lending</i>	13 624	2.42%	335	13 710	2.33%	323
Money Market Placements	2 993	0.54%	16	4 602	0.07%	3
Securities and Other Assets	10 665	1.26%	137	10 241	1.28%	133
<b>INTEREST EARNING ASSETS AND OTHER</b>	<b>38 597</b>	<b>1.77%</b>	<b>694</b>	<b>39 838</b>	<b>1.60%</b>	<b>645</b>
INTEREST BEARING LIABILITIES	36 782	0.35%	132	38 148	0.18%	68
Customer Deposits	25 787	0.27%	72	26 580	0.19%	51
Money Market Funding	9 913	-0.13%	- 13	10 497	-0.51%	- 54
Other Liabilities	1 081	6.70%	74	1 070	6.53%	71
OTHER NON-INTEREST BEARING LIABILITIES	1 815	-	-	1 690	-	-
<b>INTEREST BEARING LIABILITIES AND OTHER</b>	<b>38 597</b>	<b>0.34%</b>	<b>132</b>	<b>39 838</b>	<b>0.17%</b>	<b>68</b>
<b>NIM / NII</b> <i>(without stage 3 impairment adjustment)</i>		<b>1.43%</b>	<b>562</b>		<b>1.43%</b>	<b>577</b>
<b>Stage 3 impairment</b>			<b>- 6</b>			<b>- 4</b>
<b>NIM / NII</b>		<b>1.41%</b>	<b>555</b>		<b>1.42%</b>	<b>573</b>

The average rate on customer loans was 2.01%, lower YoY (-12bps) given the different business mix (+1bps) and the lower interest rate environment (-13bps). The average customer loans balance slightly increased YoY despite impact by the loan portfolio sales (Projects Wilkinson and Orion).

The average balance of deposits was €26.6bn, with an average interest rate of 0.19% (-8bps YoY), and Money Market Funding was €10.5bn, with -0.51% average interest rate, benefiting from the conditions of the ECB long-term refinancing operations.

The Group therefore was able to increase the spread between the rate on interest earning assets (1.60%; 2020: 1.77%) and the cost of liabilities (0.17%; 2020: 0.34%) with a positive impact on overall net interest margin (1.42%; 2020: 1.41%).

## Fees and Commissions

Fees and commissions amounted to €282.5mn in 2021, representing a 3.9% YoY increase (+€10.6mn).

This positive development is driven mainly by (i) a strong performance in Payments Management (+5.3%; +€5.7mn YoY) due to higher volume of transactions and pricing, and (ii) volume increase in the Asset Management & Bancassurance (+10.6%; +€6.5mn), reflecting more robust commercial activity and increased customer appetite.

FEES AND COMMISSIONS	31-Dec-20	31-Dec-21	Change	
			absolute	%
Payments Management	108.5	114.2	5.7	5.3%
Commissions on Loans, Guarantees and Similar	86.3	85.5	-0.8	-1.0%
Asset Management and Bancassurance	61.5	68.0	6.5	10.6%
Advising, Servicing and Other	15.6	14.8	-0.8	-5.0%
<b>TOTAL</b>	<b>271.9</b>	<b>282.5</b>	<b>10.6</b>	<b>3.9%</b>

mn€

## Capital Markets and Other Operating Results

The results of financial operations were positive by €75.9mn mostly due to gains from the hedging of interest rate risk which more than offset the negative impact of LME (-€73.5mn) concluded in Q3. The LME related to the buy-back of expensive senior zero-coupon bonds (~7% yield) with long maturity and is expected to generate future savings of ~€475mn (until maturity).

Other operating results amounted +€40.4mn, including gains in investment properties (+€35.4mn), the change in the pension fund actuarial calculation methodology (+€37.2mn), the costs related with contributions to the Single Resolution Fund (-€25.3mn) and to the Portuguese Resolution Fund (-€15.2mn).

## Operating Costs

Operating costs decreased 5.4% YoY, reflecting the continued optimisation and simplification of the organisation and its processes.

OPERATING COSTS	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	Change	
							absolute	%
Staff Costs	303.5	275.7	266.1	265.4	245.6	233.3	- 12.3	-5.0%
General and Administrative Costs	231.4	215.4	199.0	179.5	153.2	141.1	- 12.1	-7.9%
Depreciation	56.1	58.1	22.1	33.7	33.1	34.0	0.9	2.8%
<b>TOTAL</b>	<b>590.9</b>	<b>549.2</b>	<b>487.3</b>	<b>478.5</b>	<b>431.8</b>	<b>408.4</b>	<b>- 23.5</b>	<b>-5.4%</b>

Staff costs totalled €233.3mn (-5.0% YoY), maintaining the downward trend of recent years, and as a result of increased efficiency. As of 31 December 2021, **novobanco** Group had 4,193 employees (Dec/20: 4,582; -389 YoY).

General administrative costs decreased 7.9% YoY, to €141.1mn, benefiting from the implementation of efficiency measures related to reorganisation and rationalisation of processes.

The total number of branches as of 31 December 2021 was 311 (Dec/20: 359; -48 branches YoY).

## Net Impairments and Provisions

In 2021, **novobanco** Group recorded net impairments and provisions amounting to €352.7mn (including additional impairment for Covid-19 related risks and a provision for a contingency liability for aggravated taxes introduced by the 2021 State budget), a reduction compared to 2020 (-70.4%; -€838.7mn).

The cost of risk reached 60bps (or 31bps without the impairment for Covid-19 related risk).

NET IMPAIRMENTS AND PROVISIONS	31-Dec-20	31-Dec-21	Change	
			absolute	%
Customer Loans	524.4	149.4	-375.1	-71.5%
Securities	41.0	47.8	6.8	16.5%
Other Assets and Contingencies	626.0	155.6	- 470.4	-75.1%
<b>TOTAL</b>	<b>1 191.5</b>	<b>352.7</b>	<b>- 838.7</b>	<b>-70.4%</b>

## ACTIVITY, LIQUIDITY AND CAPITAL MANAGEMENT

### CUSTOMER LOANS

**novobanco's** strategy is one of supporting the domestic business community combined with a robust and disciplined lending policy. This support has been provided across all industry sectors and all companies, with an emphasis on exporting SMEs and those that focus on innovation in their products, services or production systems.

CUSTOMER LOANS	31-Dec-20	31-Dec-21	YTD Change	
			absolute	%
<b>Loans to corporate customers</b>	<b>13 873</b>	<b>13 714</b>	<b>- 159</b>	<b>-1.1%</b>
<b>Loans to Individuals</b>	<b>11 344</b>	<b>11 218</b>	<b>- 125</b>	<b>-1.1%</b>
Residential Mortgage	10 010	9 812	- 198	-2.0%
Other Loans	1 333	1 406	73	5.5%
<b>Customer Loans (gross)</b>	<b>25 217</b>	<b>24 932</b>	<b>- 284</b>	<b>-1.1%</b>
Provisions	1 600	1 248	- 352	-22.0%
<b>Customer Loans (net)</b>	<b>23 617</b>	<b>23 685</b>	<b>68</b>	<b>0.3%</b>

Loans to customers (gross) totalled €24,932mn with the YoY evolution (-1.1%) impacted by the continuing reduction of NPL stock. During 2021, **novobanco** sold portfolios of non-performing loans and related assets with a gross book value of €373.3mn.

The risk indicators of 2021, and comparison with previous year, are presented below:

ASSET QUALITY AND COVERAGE RATIOS	31-Dec-20	31-Dec-21	YtD Change	
			absolute	%
Overdue Loans > 90 days	610	290	- 320	-52.5%
Non-Performing Loans (NPL) <sup>1</sup>	2 498	1 749	- 749	-30.0%
Overdue Loans > 90 days / Customer Loans (gross)	2.4%	1.2%	-1.3 p.p.	
<b>Non-Performing Loans (NPL)<sup>1</sup> / Customer Loans (gross) + Deposits with Banks and advances to Banks (gross)</b>	<b>8.9%</b>	<b>5.7%</b>	<b>-3.2 p.p.</b>	
Credit Provisions / Customer Loans	6.3%	5.0%	-1.3 p.p.	
Coverage of Overdue Loans > 90 days	262.2%	430.2%	168.1 p.p.	
<b>Coverage of Non-Performing Loans<sup>1</sup></b>	<b>74.1%</b>	<b>71.4%</b>	<b>-2.6 p.p.</b>	

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

The reduction in loans overdue by more than 90 days and non-performing loans (including deposits with Banks and loans and advances to Banks), led to an improvement in the respective asset quality ratios to 1.2% and 5.7%, respectively (Dec/20: 2.4% and 8.9%).

As at 31 December 2021, the provision coverage of NPL by impairments (including deposits with Banks and loans and advances to Banks) was 71.4%.

## SECURITIES

The securities portfolio, which is the main source of assets eligible for funding operations with the European Central Bank (ECB), amounted to around €10.5bn on 31 December 2021, representing 23.5% of assets.

net of impairment		mn€		
Securities portfolio	31-Dec-20	31-Dec-21	YTD Change	
			absolute	relative
Portuguese sovereign debt	3 468	3 056	- 412	-11.9%
Other sovereign debt	3 710	3 197	- 512	-13.8%
Bonds	3 323	3 413	89	2.7%
Other	866	805	- 61	-7.0%
<b>Total</b>	<b>11 367</b>	<b>10 471</b>	<b>- 896</b>	<b>-7.9%</b>

## FUNDING

Total customer funds amounted to €33.8bn at the end of 2021, showing an increase of 6.6% YTD, notably driven by an increase in deposits (+4.7% YTD), which represent 80.9% of total customer funds.

		mn€		
TOTAL FUNDS	31-Dec-20	31-Dec-21	YTD change	
			absolute	%
Deposits	26 093	27 315	1 222	4.7%
Other Customer Funds <sup>(1)</sup>	229	267	38	16.5%
Debt Securities <sup>(2)</sup>	558	1 054	496	88.9%
Subordinated Debt	415	415	0	0.0%
<b>Sub -Total</b>	<b>27 296</b>	<b>29 052</b>	<b>1 756</b>	<b>6.4%</b>
Off-Balance Sheet Funds	4 376	4 711	335	7.6%
<b>Total Funds</b>	<b>31 672</b>	<b>33 762</b>	<b>2 091</b>	<b>6.6%</b>

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

(2) Includes funds associated to consolidated securitisation operations.

## LIQUIDITY

**novobanco** maintained a comfortable liquidity position in 2021, reflected in the level of the regulatory liquidity ratios: i) Liquidity Coverage Ratio (LCR) at 182% (vs. 140% in 2020) and ii) Net Stable Funding Ratio (NSFR) 117% (vs. 112% in 2020) both above the regulatory requirements, and showing an upward trend vis-à-vis 2020.

At the end of 2021, total customer deposits increased by €1.2bn YoY to €27.3bn, with a strong contribution from both the retail and corporate segments. It is worth noting the retail deposits inflows, which increased by c.€1.0bn, despite lower rates.

In 2021 **novobanco** successfully placed two senior preferred bond issues amounting to a total of €575mn, a milestone for the Bank's return to the capital markets. The first bond was issued in July, amounting to €300mn with maturity in 2024 and an early redemption on July 2023. This bond was placed together with an LME whereby **novobanco** repurchased long-dated senior bonds, issued by its Luxembourg branch and Cayman Island subsidiary, NB Finance, in the amount of €564mn (nominal value) for €161mn purchase price. The second bond was issued in December, amounting to €275mn and with maturity in 2023 (early redemption in September 2022).

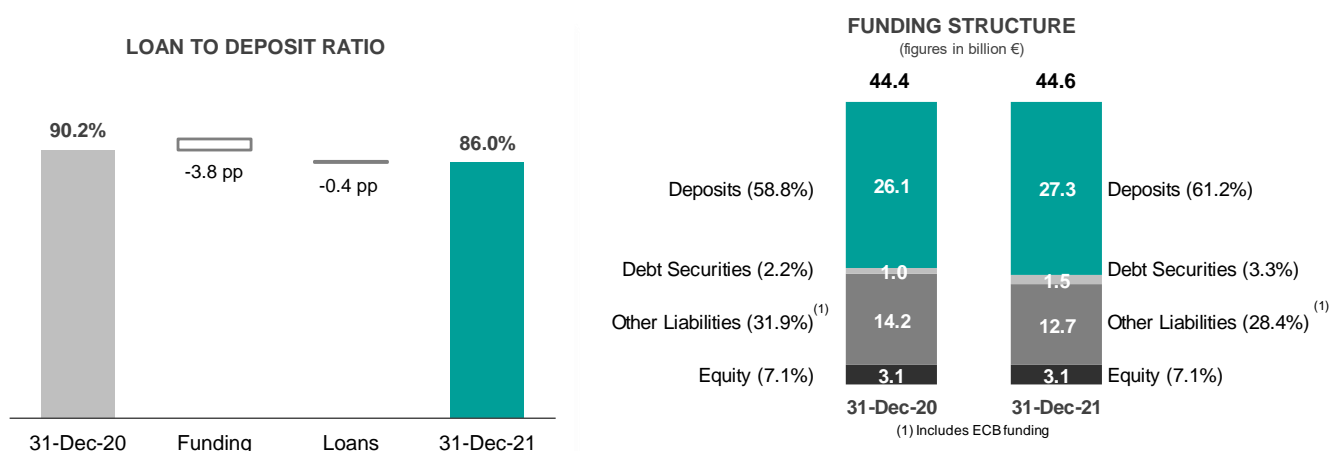
This bond issue together with the July issue allowed the Bank to comply with the MREL regulatory requirement, in force since 1 January 2022.

Additionally, in 2021: (i) the increase in the amount and maturity of the medium-term financing under the TLTRO III by €950mn at YE; and (ii) the Resolution's Fund €429mn capital injection in June and December, under the Contingent Capital Agreement, increased Bank's liquidity.

The Bank's securities portfolio was reduced by ca. €0.9bn vis-à-vis 2020, essentially as a result of the de-risking strategy and the reimbursements in the sovereign debt portfolio.

Thus, at the end of the year, deposits with ECB remained high at ca. €5.3bn and, consequently, net funding from the ECB (ECB borrowings minus ECB deposits) on 31 December 2021 amounted to €2.7bn, €2.0bn below the amount in 2020.

The portfolio of eligible assets for repo with the ECB reduced by €0.2bn (net of haircut) YoY to €16.5bn at the end of 2021. In addition, including HQLA assets non-eligible for repo with the ECB and deposits at ECB, total liquidity buffer stands at €12.5bn, composed by highly liquid assets (90%) as of 31 December 2021, an increase of €1.2bn YoY.



Customer deposits remained the main source of balance sheet funding, accounting for 65.9% of total liabilities and 61.2% of total assets.



## CAPITAL

As of 31 December 2021, the CET1 ratio was 11.1% and total capital ratio was 13.1% (preliminary values).

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. In addition, changes were introduced to the regulatory framework, in force since June 2020, regarding the calculation of capital ratios, aimed at mitigating the impacts of the Covid-19 pandemic. In these circumstances, **novobanco** adhered to the dynamic option of the transitional regime of IFRS 9.

CAPITAL RATIOS (CRD IV/CRR)		mn€			
		31-Dec-20 <sup>(1)</sup> (Phased-in)	31-Dec-20 <sup>(1)</sup> (Fully loaded)	31-Dec-21 <sup>(2)</sup> (Phased-in)	31-Dec-21 <sup>(2)</sup> (Fully loaded)
Risk Weighted Assets	(A)	26 689	26 392	24 929	24 689
Own Funds					
Common Equity Tier 1	(B)	2 902	2 511	2 768	2 507
Tier 1	(C)	2 903	2 512	2 769	2 509
Total Own Funds	(D)	3 415	3 023	3 276	3 016
Common Equity Tier 1 Ratio	(B/A)	10.9%	9.5%	11.1%	10.1%
Tier 1 Ratio	(C/A)	10.9%	9.5%	11.1%	10.1%
Total Capital Ratio	(D/A)	12.8%	11.5%	13.1%	12.2%
Leverage Ratio		6.2%	5.4%	6.0%	5.4%

(1) Updated values

(2) Preliminary

**novobanco**'s Common Equity Tier 1 (CET1) ratio is protected up to a predetermined threshold for the amounts of losses verified in a perimeter of assets as outlined by the Contingent Capital Agreement. The amount of compensation to be requested with reference to 2021 is €209.2mn (with this amount not included in the calculation of regulatory capital with reference to 31 December 2021), took into account the losses incurred in the assets covered by the Contingent Capital Agreement, as well as the minimum capital condition applicable at the end of the same year under the Contingent Capital Agreement.

Regarding the amount requested from the Resolution Fund for the year 2020, there are two divergences between **novobanco** and the Resolution Fund, i.e. (i) the provision for discontinued operations in Spain and (ii) valuation of participation units, which are subject to an arbitration decision. **novobanco** considers these amounts (in aggregate equal to €165mn) as due from the Resolution Fund under the Contingent Capital Agreement, and has triggered the legal and contractual mechanisms at its disposal.

Additionally, **novobanco** and the Resolution Fund have a divergence, subject to arbitration, concerning the application by **novobanco**, at the end of 2020, of the dynamic option of the transitional regime of IFRS 9.

## COMMERCIAL ACTIVITY

### Corporate Banking

In 2021 **novobanco** maintained its long-standing close involvement with the Portuguese business sector, providing financial support and helping companies to adjust their strategies to the new reality. To serve its corporate clients, as at December 2021 **novobanco** had two hubs for Large Companies (in Lisbon and Oporto) and 20 Business Centres throughout the country, with teams dedicated to the medium-sized segment.

This strong presence in the Portuguese business community has resulted in Bank market shares of 14.5% in loans and 13.1% in deposits in Corporates and SMEs.

In 2021, **novobanco** continued to support its corporate customer base, through three key pillars:

- financial support to small and medium-sized companies, with loans to the medium-sized companies posting a significant increase of 4.6%;
- management of requests for moratoria and adjustment of repayment schedules to the clients' financial capacity;
- continued focus on the digital transformation, developing remote relationship and signature tools to address the social distancing requirements, and launching a new version of the internet banking service with relevant improvements in terms of functionality and user experience.

A major feature of 2021 was the launch of the new investment support programmes, including the RRP and Portugal 2030, which aim to support the development of the economy by fostering innovation, digital transformation, and clean / renewable energy transition. In this context, a multidisciplinary team was created being focused on the following main areas: i) provision of permanently updated information on the existing programmes, facilitating clients' access to the available support; ii) partnership with consultants specialising in the preparation of applications to investment programmes; iii) information and clarification addressed to clients, associations and other relevant entities; iv) launch of a specific offer of financial products to cover investment needs under these programmes (e.g.: advances on funds, financing of equity and working capital and issuance of guarantees).

In Trade Finance, **novobanco** provides a wide range of products and specialised advice in support of international trade. The Bank's know-how in this segment is recognised by its clients, resulting in a market share of around 20.2% (+0.9pp YoY), as well as the market, as seen by the award for best Trade Finance Bank in Portugal by the Global Finance international magazine.

On the digital transformation front, the highlight was the launch of the new version of **novobanco** online for companies. The service has been rethought from the standpoint of user experience, featuring new menus, a new homepage with improved functionality and widgets for quick action and information, easier access to documentation made available by the Bank to the Client, and new help solutions. The new concept was developed incorporating feedback from clients and the commercial and technical teams, the key purpose being to solve the main difficulties experienced on a daily basis, thus allowing a substantial increase in users' levels of satisfaction and involvement, raising the penetration rate to around 78%. Within **novobanco** online Empresas, it is worth to highlight the financial aggregator, a digital financial management solution, supported by a strong analytical and predictive component, which aims to improve the operational efficiency of companies.

With regard to the assessment made by the corporate clients, the NPS (Net Promoter Score) rose to 32.7, an increase of 4.5 pp compared to the previous year. The main reason for promoters to recommend **novobanco** is related to the Quality of Service. Hence, the weight of Very Satisfied Customers with the Customer Service reached 89.9%, which represents a YoY increase of 1.2%.

## Retail Banking

**novobanco**'s positioning relies on building long-term relationships with its clients, as reflected in the continuous optimisation of the commercial network in order to meet clients' expectations and needs. Considering the ongoing behavioural changes in all age brackets, largely induced by consumption habits created by other industries, it has become essential to be seamlessly available to the clients through their preferred channels, and to be aware of the journey made by each client to adopt the Bank's solutions - a concept known as Omnicanality.

The omnichannel approach maintains the key support of the branch network. **novobanco** continues to revamp the branch network, redesigning the face-to-face service experience, with greater focus on customised service and space for relaxed and meaningful engagement with the clients. This experience has required a total redesign of the branches' layout and architecture, creating a transparent ecosystem – main branches have areas for social use in line with trends. There are currently more than 100 branches with the new format (69 of which were redesigned in 2021), and the process for rest is underway.

Within the scope of omnicanality, and besides the physical branch network, **novobanco** has 65 Virtual Teller Machines (VTMs) featuring advanced physical currency management solutions (for cash withdrawal and deposit), which are a key basis for the development of new virtual value-added services, such as product simulation or access to specialists.

The universe of clients subscribing to the 360° Link service also continues to expand. 360° Link is a remote manager service with monitoring capabilities for high-value clients who prefer remote contact.

The digital channel is central to the customer experience, and **novobanco** invests much in its digital tools, particularly in journey management tools (physical and digital), following the widespread trend of online search and telephone or in-branch execution. The following main implementations/innovations stand out in 2021:

- Account opening remote solutions, using the Digital Mobile Key or by Video Call, offering a complete, fast, smart, more efficient, and entirely digital onboarding experience. This has permitted a reduction of 50% to 100% in front-office time and of more than 100kg in paper sheets consumption;
- The new app for individual clients with a fully renewed design and customer experience, adaptable and customisable, inclusive and predictive (data-science-based), and offering a wide range of services and solutions (e.g., aggregation of accounts with other banks, underwriting of investment funds, life insurance, and validation of transactions by push notifications) to improve user experience and security;
- Homebuying: Reinvention of the home buying experience, from simulation to title deed, providing a comprehensive omnichannel experience. In 2021, 50% of title deeds were mobile sourced, and 50% of online-sourced title deeds correspond to new clients. This allowed for a 40% reduction in the average time per deed and the elimination of paper documents equivalent to 8,000 sheets;
- *Phygital*: implementation of mobility and information sharing solutions (in person and remote), cementing the Bank's relationship of transparency and proximity with the clients and its omnichannel strategy, speeding up and simplifying processes through different types of digital signatures, and fostering a paperless culture based on more secure and efficient practices. More than 85% of the eligible transactions are carried out through the new solutions, which permits to save more than 13 tonnes of paper.

Reflecting the strategy implemented by **novobanco**, in 2021 customer acquisition in the Retail segment increased by 7% YoY, with approximately 30% of the new clients being under 25 years (which compares with a 10% stock of clients in this age group) - a relevant trend of rejuvenation of the Bank's customer base. In this context, the Cross-Segment Programme, which gives employees of companies with which the Bank has relationships access to more favourable conditions in several of the Bank's products and services, accounted for 22% of all individual clients onboarded in 2021.

In terms of customer loans, the main highlight was the origination of €905mn in mortgage loans, with growth more pronounced in the last four months of the year. This growth was underpinned by **novobanco**'s partnerships strategy, with credit intermediaries increasing by 30% and standing as the Bank's largest loan origination channel.

Consumer Lending (gross stock; consumer lending & other) increased by 5.3% vs 2020. Production through the Digital Channels (4-fold YoY increase) deserves a note, as well as production in the Non-Financial Offer, with continued launches of new products and joint promotion with partners of various events for employees and clients, which yielded an 18% increase vs. 2020.

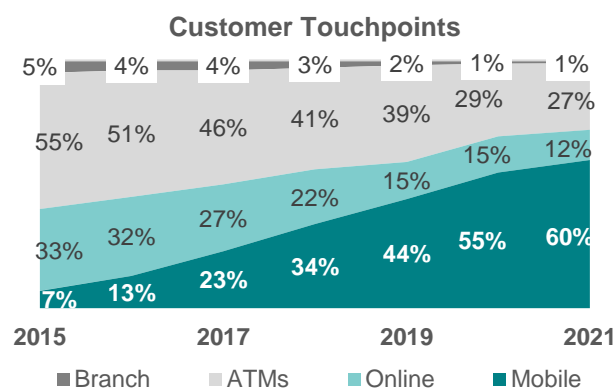
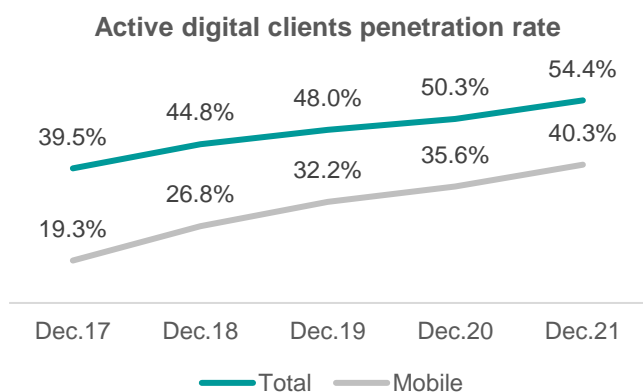
With regard to the investment offer, **novobanco**, based on a proprietary model, selects and sells the Mutual Funds of independent management companies that best reflect and capture market trends. In 2021, thematic funds were included in the offer, which, together with the structured funds, permit to invest in these market trends, and in particular in Technology, Health and Climate Action. The digital solution available improved the customer experience when subscribing Investment Funds, leading to an increase of 231% in digital sales vs 2020.

To support Clients in their investment decisions, **novobanco** offers an Investment Advisory Service. According to the client's investor profile and initial portfolio, the advisory service submits the most suitable investment proposals based, among others, on a strategic analysis of different asset classes and sectors, the macroeconomic environment and the definition of the asset allocation.

The Small Businesses segment (loan portfolio) grew by 7.8% YoY in 2021, based on its ability to closely monitor its clients and recurrently assess the pandemic impact on individuals, as well as whether the clients are prepared for the end of the loan moratoria. Customer funds in this segment grew by 15.2%, denoting a propensity to save in a period of uncertainty.

In both the Corporate and the Retail segments, the purpose of digital transformation involves i) accelerating front-to-back digitisation, improving experience and efficiency by addressing the customer journeys and transforming the operating model, and ii) transforming the digital channels to ensure a fully omnichannel experience and greater customisation, leveraging best-in-class data science.

This strategy drove an increase in the number of active digital clients, to 54.4% of the total in December 2021 (the number of digital clients increased by 7% YoY) as well as a 12% annual rise in the number of active mobile clients (40% of clients are mobile). In turn, this underpinned an annual increase of > 165% in the number of product units sold through the digital channels (excluding deposits, which are already traditionally high).

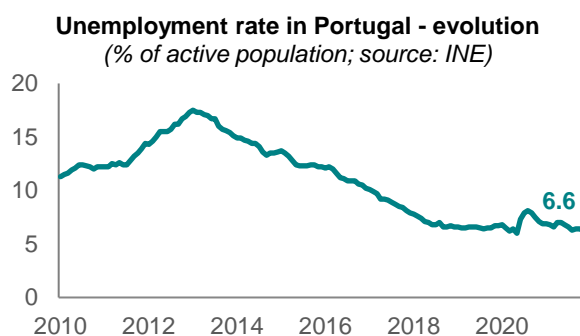
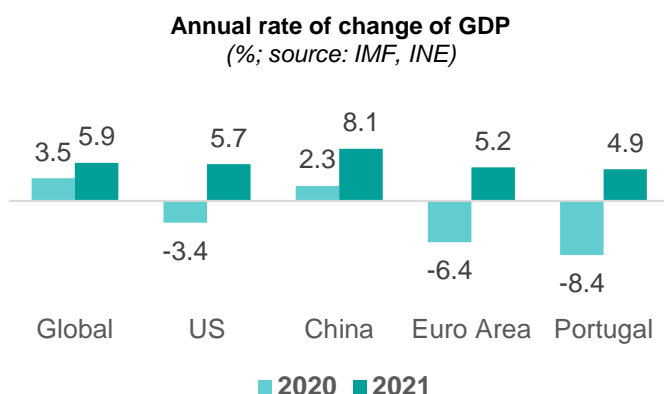


In 2021, 72% of **novobanco** contacts with individual clients were made through the digital channels (+3 pp vs. 2020). Reflecting a reinforced focus on a "mobile digital first" strategy, mobile continues to be the main means of contact of individual clients, with interactions (as measured by the number of logins) growing by 20% vs. 2020.

## ECONOMIC ENVIRONMENT

The year 2021 saw a rebound in economic activity, with global GDP growing by 5.9% (-3.5% in 2020). The pandemic continued to restrict activity, especially with the spread of the new delta and omicron variants. However, progress in vaccination, the gradual easing of restrictions on mobility and aggressive monetary and fiscal policy stimuli supported growth, albeit unevenly across economies and with signs of deceleration in the second half of the year. In the Eurozone, GDP grew by 5.2% in 2021 (-6.4% in 2020). The strong expansion of demand met with bottlenecks in global supply chains and global production activity, including shortages of labour, raw materials and intermediate consumption, logistical disruptions caused by delays in the transport of goods and a significant increase in energy costs. In this context, most economies saw an increase in inflationary pressures. In the Eurozone, YoY consumer inflation jumped from -0.3% to 5%.

Recognising the risk of persisting higher inflation, several Central Banks initiated or signalled an easing of monetary stimuli. In the Eurozone, the ECB maintained the deposit facility rate at -0.5% but reduced the monthly pace of asset purchases under the pandemic emergency programme (PEPP) and confirmed the end of this programme in March 2022. The 3-month Euribor closed the year slightly below its level at the beginning of 2020, at -0.572%. On the other hand, the rise in inflation expectations and the expected tapering of monetary stimuli translated into an increase in long-term market interest rates. The 10-year *Bund* yield rose from -0.569% to -0.177% (the yield on the US Treasuries increased from 0.91% to 1.51%). The euro lost 6.9% against the dollar, to EUR/USD 1.137. The rebound in activity and the ample liquidity provided by still expansionary monetary policies supported a value increase in risk assets. In the US, the S&P 500 and Nasdaq stock market indices surged by 26.9% and 21.4%, respectively. In Europe, the Euro Stoxx and the DAX gained 22.3% and 15.8%. In Portugal, the PSI-20 was up by 13.7%.



The Portuguese economy remained constrained by Covid-19, suffering the effects of a new lock-down in the 1st quarter that led to a dip in GDP. Activity visibly recovered in the following quarters, though remaining below pre-pandemic levels. In 2021 as a whole, GDP grew by 4.9% (-8.4% in 2020). Private consumption and investment were up by 5.1% and 4.9% respectively, and exports grew by 9.5%. Productive activity was constrained by supply chain disruptions, penalising the industrial and construction sectors. Progress in anti-Covid vaccination and the reopening of the economy allowed a relatively strong recovery in tourism domestic demand. Still, overnight stays by non-residents remained 63% below 2019 levels.

Temporary business and labour market support measures, including the simplified layoff scheme, gradual support for business recovery, and loan moratoria (ended in September), mitigated the economic impacts of the pandemic. The average annual unemployment rate retreated from 7% to 6.6% of the labour force. Home prices rose by 8.3% in average annual terms, which is close to their growth in 2020. Average annual inflation rose from 0% to 1.3% (1.7% in goods and 0.6% in services), with the YoY change in prices reaching 2.7% in December. This movement was mainly driven by the increases in energy and food prices, which rose YoY by 11.2% and 3.2% respectively. The yield on the Portuguese 10-year bonds rose from 0.03% to 0.465%, with its spread vs. the Bund remaining relatively flat (4 bps rise, to 64 bps).

## SUBSEQUENT EVENTS

Following the sale agreement between the Resolution Fund and Lone Star, on 24 February 2022, the Resolution Fund transferred the ownership of 116,180,485 shares of novobanco to Nani Holdings following the capital increase through conversion of conversion rights in favour of the Portuguese State in December 2021. The participation of Nani Holdings in **novobanco** remains at 75%, with the participation of the Resolution Fund being diluted to 23.44%.

<b>MAIN HIGHLIGHTS</b>	<b>31-Dec-20</b>	<b>31-Dec-21</b>
<b>ACTIVITY (mn€)</b>		
Net Assets	44 396	44 619
Customer Loans (gross)	25 217	24 932
Customer Deposits	26 093	27 315
Equity	3 147	3 149
<b>SOLVENCY <sup>(3)</sup></b>		
Common Equity Tier I / Risk Weighted Assets <sup>(3)</sup>	10.9% <sup>(4)</sup>	11.1%
Tier I / Risk Weighted Assets <sup>(3)</sup>	10.9% <sup>(4)</sup>	11.1%
Total Capital / Risk Weighted Assets <sup>(3)</sup>	12.8% <sup>(4)</sup>	13.1%
Leverage Ratio	6.2% <sup>(4)</sup>	6.0%
<b>LIQUIDITY (mn€)</b>		
European Central Bank Funding <sup>(2)</sup>	4 740	2 742
Eligible Assets for Repo Operations (ECB and others), net of haircut (Total Credit - Credit Provision) / Customer Deposits <sup>(1)</sup>	16 684	16 476
	90%	86%
Liquidity Coverage Ratio (LCR)	140% <sup>(4)</sup>	182%
Net Stable Funding Ratio (NSFR)	112% <sup>(4)</sup>	117%
<b>ASSET QUALITY</b>		
Overdue Loans > 90 days / Customer Loans (gross)	2.4%	1.2%
Non-Performing Loans (NPL) / (Customer Loans + Deposits with banks and Loans and advances to banks)	8.9%	5.7%
Credit Provision / Overdue Loans > 90 days	262.2%	430.2%
Credit Provision / Customer Loans (gross)	6.3%	5.0%
Cost of Risk	2.08%	0.60%
<b>PROFITABILITY</b>		
Net Income for the Period (mn€)	-1329.3	184.5
Income before Taxes and Non-controlling interests / Average Net Assets <sup>(1)</sup>	-2.9%	0.5%
Banking Income / Average Net Assets <sup>(1)</sup>	1.4%	2.9%
Income before Taxes and Non-controlling interests / Average Equity <sup>(1)</sup>	-32.0%	7.1%
<b>EFFICIENCY</b>		
Operating Costs / Banking Income <sup>(1)</sup>	69.9%	42.0%
Operating Costs / Commercial Banking Income	52.2%	47.7%
Staff Costs / Banking Income <sup>(1)</sup>	52.2%	24.0%
<b>EMPLOYEES (No.)</b>		
Total	4 582	4 193
- Domestic	4 560	4 165
- International	22	28
<b>BRANCH NETWORK (No.)</b>		
Total	359	311
- Domestic	358	310
- International	1	1

(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

(4) Updated values

**NOVO BANCO, S.A.**  
**CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2021 AND 2020**

thousands of Euros

	31.12.2021	31.12.2020
Interest Income	740 459	743 707
Interest Expenses	( 167 065)	( 188 573)
<b>Net Interest Income</b>	<b>573 394</b>	<b>555 134</b>
Dividend income	11 096	16 478
Fees and commissions income	325 511	313 823
Fees and commissions expenses	( 47 357)	( 47 305)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	( 5 123)	88 472
Gains or losses on financial assets and liabilities held for trading	50 896	( 91 611)
Gains or losses on financial assets mandatorily at fair value through profit or loss	46 697	( 364 000)
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	21	-
Gains or losses from hedge accounting	14 195	( 11 641)
Exchange differences	10 805	( 2 414)
Gains or losses on derecognition of non-financial assets	7 551	( 3 416)
Other operating income	163 875	120 732
Other operating expenses	( 181 604)	( 230 294)
<b>Operating Income</b>	<b>969 957</b>	<b>343 958</b>
Administrative expenses	( 374 359)	( 398 769)
<i>Staff expenses</i>	( 233 261)	( 245 606)
<i>Other administrative expenses</i>	( 141 098)	( 153 163)
Cash contributions to resolution funds and deposit guarantee schemes	( 40 535)	( 35 048)
Depreciation	( 34 004)	( 33 072)
Provisions or reversal of provisions	( 127 835)	( 186 423)
<i>Commitments and guarantees given</i>	9 840	( 22 116)
<i>Other provisions</i>	( 137 675)	( 164 307)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	( 198 903)	( 755 070)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	315	( 4 192)
Impairment or reversal of impairment on non-financial assets	( 26 314)	( 245 778)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	3 794	9 430
<b>Profit or loss before tax from continuing operations</b>	<b>172 116</b>	<b>( 1 304 964)</b>
Tax expense or income related to profit or loss from continuing operations	15 186	( 1 082)
<i>Current tax</i>	( 12 737)	8 639
<i>Deferred tax</i>	27 923	( 9 721)
<b>Profit or loss after tax from continuing operations</b>	<b>187 302</b>	<b>( 1 306 046)</b>
Profit or loss from discontinued operations	4 887	( 33 345)
<b>Profit or loss for the period</b>	<b>192 189</b>	<b>( 1 339 391)</b>
<b>Attributable to Shareholders of the parent</b>	<b>184 504</b>	<b>( 1 329 317)</b>
Attributable to non-controlling interests	7 685	( 10 074)
	<b>192 189</b>	<b>( 1 339 391)</b>



# NOVO BANCO, S.A.

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021 AND 2020

	thousands of Euros	
	31.12.2021	31.12.2020
<b>ASSETS</b>		
Cash, cash balances at central banks and other demand deposits	5 871 538	2 695 459
Financial assets held for trading	377 664	655 273
Financial assets mandatorily at fair value through profit or loss	799 592	960 962
Financial assets at fair value through other comprehensive income	7 220 996	7 907 587
Financial assets at amortised cost	26 039 902	25 898 046
Securities	2 338 697	2 229 947
Loans and advances to banks	50 466	113 795
Loans and advances to customers	23 650 739	23 554 304
Derivatives – Hedge accounting	19 639	12 972
Fair value changes of the hedged items in portfolio hedge of interest rate risk	30 661	63 859
Investments in subsidiaries, joint ventures and associates	94 590	93 630
Tangible assets	864 132	779 657
Tangible fixed assets	238 945	187 052
Investment properties	625 187	592 605
Intangible assets	67 986	48 833
Tax assets	779 892	775 498
Current Tax Assets	35 653	610
Deferred Tax Assets	744 239	774 888
Other assets	2 442 550	2 944 292
Non-current assets and disposal groups classified as held for sale	9 373	1 559 518
<b>TOTAL ASSETS</b>	<b>44 618 515</b>	<b>44 395 586</b>
<b>LIABILITIES</b>		
Financial liabilities held for trading	306 054	554 791
Financial liabilities measured at amortised cost	40 215 994	37 808 767
Deposits from central banks and other banks	10 745 155	10 102 896
Due to customers	27 582 093	26 322 060
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	1 514 153	1 017 928
Other financial liabilities	374 593	365 883
Derivatives – Hedge accounting	44 460	72 543
Provisions	442 834	384 382
Tax liabilities	15 297	14 324
Current Tax liabilities	12 262	9 203
Deferred Tax liabilities	3 035	5 121
Other liabilities	443 437	417 762
Liabilities included in disposal groups classified as held for sale	968	1 996 382
<b>TOTAL LIABILITIES</b>	<b>41 469 044</b>	<b>41 248 951</b>
<b>EQUITY</b>		
Capital	6 054 907	5 900 000
Accumulated other comprehensive income	(1 045 489)	( 823 420)
Retained earnings	(8 576 860)	(7 202 828)
Other reserves	6 501 374	6 570 154
Profit or loss attributable to Shareholders of the parent	184 504	(1 329 317)
Minority interests (Non-controlling interests)	31 035	32 046
<b>TOTAL EQUITY</b>	<b>3 149 471</b>	<b>3 146 635</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>44 618 515</b>	<b>44 395 586</b>

## GLOSSARY

### **Income Statement**

<b>Fees and commissions</b>	Fees and commissions 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**

<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.
<b>Return on tangible equity (RoTE)</b>	Ratio of return for the period and tangible equity. The return corresponds to the annualized result before tax, less the contribution on the banking sector and contributions to resolution funds, being adjusted for events considered extraordinary. Tangible equity calculated as risk weighted assets x 12%.

€mn: million euros

€bn: billion euros

pp: percentage points

bps: basis points

QoQ: quarter-on-quarter

YoY: year-on-year

