novobanco

GROUP ACTIVITY AND RESULTS
1H 2024

PRESS RELEASE

Portugal, 1 August 2024

“These results reflect a robust business performance and consistent capital accretion. We continue to deliver on our strategy, growing business and activity, increasing the efficiency of operations and supporting the families and companies who choose us as their bank."

Mark Bourke, CEO

HIGHLIGHTS

SUSTAINABLE RESULTS

- **Net income of €370.3mn (1H23: €373.2mn),** supported by a solid and diversified business model with a robust corporate and low-risk retail mortgage franchises with strong digital adoption. The Bank posted strong net income in the period while making higher provisions for other assets and contingencies in 2Q24, including a €30.0m provision for transformation process as part of the Bank’s innovation and simplification strategic program.
- **Strong RoTE of 17.4%** on increasingly overcapitalised balance sheet (**CET1 FL: +176bps YTD to 19.9%, Tangible book value: €4,376mn; +19% YoY**) as a consequence of a contractual dividend ban.
- **NII reached €594.9mn (1H23: €524.0mn; 1Q24: €299.0mn; 2Q24: €295.9mn)**, with a **NIM of 2.83% (Dec/23: 2.75%; Mar/24: 2.88%)**, benefiting from the balanced management of asset yields and financing costs.
- **Fees totalled €161.2mn**, an increase of 10.9% YoY (1H23: €145.4mn; 1Q24: €75.0mn; 2Q24: €86.2mn), supported by the strengthening of novobanco’s franchise with a growing client base and the momentum on the execution of fee income initiatives, mainly on accounts and payments management.
- **Cost to Income ratio of 32.1%** (1H23: 33.6%), reflecting the continuous focus on simplification and processes optimisation. Operating costs at €242.7mn (+1.3% vs average of 2023) and Net Operating Income increasing to €510.3mn (1H23: €467.3mn).
- **Cost of risk at 38bps** (1H23: 41bps and 1Q24: 35bps) with strengthened asset quality and coverage ratios.

DIVERSIFIED BUSINESS MODEL WITH STRONG DOMESTIC FRANCHISE

- **Total customer funds increased to €37.1bn** (Dec/23: €35.2bn; +5.5% YTD), **reflection of novobanco’s franchise in the Portuguese market, with deposits standing at €29.1bn (+3.5% YTD), corresponding to a market share of 9.3%** in May/24. As of 30 June 2024, novobanco’s liquidity position remains strong with net financing from the ECB of -€4.7bn and a liquidity buffer of €14.9bn (Dec/23: €13.6bn). Loan to deposit ratio (LtD) stood at 79.2% (Dec/23: 81.2%), the liquidity coverage ratio (LCR) increased to 198%[1] (vs. 163% in Dec/23) and the net stable funding ratio (NSFR) to 121%[2] (vs. 118% in Dec/23).
- **Gross Customer credit at €28.5bn (+1.1% YTD**), with net customer credit at €27.3bn representing 60.5% of novobanco’s total assets. Origination of loans to customers reached €2.3bn, supported by growth momentum on new customer acquisition. Overall loan market share of 10.1% in May/24, reflecting the Bank's strong position in the Portuguese market.
- **Non-performing loans** (NPL) presented a **YTD reduction of 8.7% to €1,034mn. Net NPL ratio decreased further to 0.5%** (Dec/23: 0.7%), benefiting from both the decrease of the NPL ratio (Jun/24: 4.1% vs Dec/23: 4.4%) and the increase of the coverage level (Jun/24: 88.4% vs Dec/23: 84.3%).

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[1] Preliminary

[2] Preliminary

INVESTMENT GRADE RATING

- In February 2024, Fitch assigned a 'BBB-' LT rating to novobanco's senior preferred debt. The Investment Grade rating reflects i) the turnaround of the Bank's business model; ii) a significant improvement in asset quality; iii) levels of profitability that compare favourably to peers; iv) significant improvement of capital buffers in 2023; and v) stable funding, along with adequate liquidity.
- In February 2024, novobanco issued:
  - €500mn, 3-year premium European Covered Bond, AAA-rated by Moody's, with a 3.25% annual interest rate (mid-swaps +45 bps). The bond was the most subscribed since Bloomberg News began tracking order books in 2018, being more than 10 times oversubscribed, attracting interest from over 150 accounts and diversifying the Bank's funding sources.
  - €500mn 4NC3 Senior Preferred bond rated Ba1/BBB- (Moody's / Fitch), priced at 99.782% with a 4.25% annual coupon for the first three years, resetting to 3-month Euribor plus 130bps thereafter. The order book peaked at €1.5bn, involving around 90 accounts, helping the Bank to achieve a MREL ratio well above 27% in March 2024, and to reach full compliance with the binding target ahead of time.
- In March 2024, and following the issuance of the Senior Preferred note, Moody's upgraded novobanco's long-term deposit rating by 1 notch to Baa1, keeping the outlook unchanged at "Positive".
- In April 2024, novobanco was recognized once again for its strong performance in the Structured Products market, receiving the "Best Distributor, Portugal" award from Structured Retail Products of the Delinian Group Company for the second consecutive year. This acknowledgment reflects the Bank's solid and consistent offerings in Structured Products and highlights its continued development in this area over recent years.
- In May 2024, the Bank negotiated a new EIB funding line, having executed an EIB Covered Bond placement of €300mn.
- In June 2024, novobanco was recognised in the annual edition of the Covered Bond Report Excellence Awards, in Frankfurt. The award recognises novobanco's success in its first covered bond issue, worth €500mn, in February.
- In July 2024, novobanco achieved SBTi validation for emission reduction targets, being the first Portuguese bank to achieve such validation. The Bank commits to reducing absolute Scope 1 and 2 GHG emissions by 54.2% by 2030, using 2021 as the base year. Additionally, novobanco's Scope 3 portfolio targets cover 15% of its total investment and lending, by total balance sheet assets as of 2021.

GROUP RESULTS

The most relevant aspects of the first half of 2024 include:

- Resilient Commercial banking income of €756.1mn (+13.0% YoY), from commercial activity performance in a favourable interest rate environment, along with strategic initiatives and franchise momentum driving fee growth;
- Operating costs totalled €242.7mn, increasing by 1.3% vs average of 2023, and sustaining top performance in efficiency with 32.1% Commercial C/I ratio;
- Stable risk profile with provisions for customer credit recording a decrease of €5.3mn YoY, equivalent to 38bps Cost of Risk;
- Provisions for other assets and contingencies increased by +€37.1mn, reflecting a €30.0mn provision for transformation process, as part of the innovation and simplification strategic program that the Bank has underway;
- Net Income of €370.3mn and RoTE at 17.4% (on an overcapitalised balance sheet with 19.9% CET1).

Income Statement (mn€)	30-Jun-23	30-Jun-24	Change	
			absolute	%
Net Interest Income	524.0	594.9	70.9	13.5%
+ Fees and Commissions	145.4	161.2	15.8	10.9%
= Commercial Banking Income	**669.4**	**756.1**	**86.7**	**13.0%**
+ Capital Markets Results	28.0	-4.7	-32.7	...
+ Other Operating Results	-5.0	1.5	6.5	...
= Banking Income	**692.4**	**753.0**	**60.6**	**8.7%**
- Operating Costs	**225.1**	**242.7**	**17.6**	**7.8%**
= Net Operating Income	**467.3**	**510.3**	**43.0**	**9.2%**
- Net Impairments and Provisions	**56.0**	**87.8**	**31.8**	**56.8%**
Customer credit	58.6	53.3	-5.3	-9.1%
Other Assets and Contingencies	-2.6	34.5	37.1	...
= Income before Taxes	**411.4**	**422.5**	**11.2**	**2.7%**
- Corporate Income Tax	1.6	17.7	16.1	...
- Special Tax on Banks	34.2	32.2	-2.0	-5.8%
= Income after Taxes	**375.6**	**372.6**	**- 3.0**	**-0.8%**
- Non-Controlling Interests	2.4	2.3	-0.2	-6.3%
= Net Income for the period	**373.2**	**370.3**	**- 2.8**	**-0.8%**

On a quarterly basis, the 2Q24 most relevant aspects include:

- Commercial banking income amounted to €382.1mn (+2.2% QoQ), on the back of strategic initiatives and franchise momentum driving fee growth (+14.8% QoQ);
- Operating costs totalled €123.7mn (+1.7% vs average of last 4 quarters), with the maintenance of a high level of efficiency and a Commercial Cost to Income ratio of 32.4% (1Q24: 31.8%);
- Stable risk profile, with the amount allocated to impairments for Customer Credit totaling €28.8mn, equivalent to a cost of risk of 41bps;

- Provisions for other assets and contingencies include a €30.0mn provision for transformation process, as part of the innovation and simplification strategic program that the Bank has underway.

Income Statement (mn€)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	QoQ change		YoY change	
							absolute	%	absolute	%
Net Interest Income	246.3	277.7	307.2	311.4	299.0	295.9	-3.1	-1.0%	18.2	6.6%
+ Fees and Commissions	68.9	76.4	71.8	79.0	75.0	86.2	11.1	14.8%	9.7	12.7%
= Commercial Banking Income	**315.3**	**354.1**	**378.9**	**390.4**	**374.0**	**382.1**	**8.0**	**2.2%**	**28.0**	**7.9%**
+ Market Results	5.8	22.2	11.3	-24.6	-3.5	-1.1	2.4	68.3%	-23.3	...
+ Other Operating Results	2.4	-7.4	19.5	-25.6	1.1	0.4	-0.7	-62.0%	7.8	...
= Banking Income	**323.5**	**368.9**	**409.7**	**340.2**	**371.6**	**381.4**	**9.8**	**2.6%**	**12.5**	**3.4%**
- Operating Costs	**111.9**	**113.2**	**114.5**	**139.6**	**119.0**	**123.7**	**4.7**	**4.0%**	**10.5**	**9.3%**
= Net Operating Income	**211.6**	**255.8**	**295.2**	**200.6**	**252.6**	**257.7**	**5.1**	**2.0%**	**1.9**	**0.8%**
- Net Impairments and Provisions	**27.7**	**28.3**	**25.8**	**92.1**	**27.9**	**59.9**	**32.0**	**...**	**31.6**	**111.6%**
Customer credit	30.0	28.6	26.2	58.1	24.4	28.8	4.4	17.9%	0.2	0.7%
Other Assets and Contingencies	-2.3	-0.3	-0.4	34.0	3.5	31.1	27.6	...	31.4	...
= Income before Taxes	**183.9**	**227.5**	**269.4**	**108.5**	**224.7**	**197.8**	**-26.9**	**-12.0%**	**-29.6**	**-13.0%**
- Taxes	0.7	0.8	1.0	3.2	10.5	7.2	-3.3	-31.7%	6.4	...
- Special Tax on Banks	34.1	0.0	1.1	0.0	32.2	0.0	-32.2	-100.0%	0.0	...
= Income after Taxes	**149.0**	**226.6**	**267.3**	**105.3**	**182.0**	**190.6**	**8.6**	**4.7%**	**-36.0**	**-15.9%**
- Non-controlling Interests	0.7	1.8	2.0	0.7	1.3	0.9	-0.4	-30.2%	-0.8	-46.7%
= Net Income	**148.4**	**224.8**	**265.3**	**104.6**	**180.7**	**189.7**	**9.0**	**5.0%**	**-35.1**	**-15.6%**

NET INTEREST INCOME

Net Interest Income was €594.9mn (+€70.9mn YoY), benefiting from the balanced management of asset yields and financing costs.

Net Interest Income (NII) and Net Interest Margin (NIM) (mn€)	1H 2023			2023			1H 2024		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
Interest Earning Assets	41,762	3.70%	776.2	41,046	4.16%	1731.8	41,564	4.75%	997.7
Customer Credit	28,033	4.13%	582.7	28,323	4.35%	1249.4	28,063	5.31%	753.2
Mortgage Loans	9,976	3.21%	160.9	10,033	3.85%	391.2	9,935	4.74%	238.1
Consumer Loans and Others	1,441	6.90%	50.0	1,486	7.00%	105.5	1,675	7.32%	62.0
Corporate Credit	16,615	4.45%	371.9	16,804	4.42%	752.6	16,453	5.45%	453.2
Money Market Placements	4,792	2.76%	66.5	4,536	3.12%	143.3	6,116	3.98%	123.0
Securities ALM and Other Assets	8,937	2.83%	127.0	8,186	4.09%	339.1	7,384	3.25%	121.5
Interest Earning Assets And Other	**41,762**	**3.70%**	**776.2**	**41,046**	**4.16%**	**1,731.8**	**41,564**	**4.75%**	**997.7**
Interest Bearing Liabilities	38,731	1.27%	247.4	37,649	1.53%	582.4	37,229	2.13%	400.5
Customer Deposits	28,656	0.52%	74.9	28,982	0.82%	242.0	30,218	1.55%	236.1
Money Market Funding	8,480	2.79%	119.1	7,265	3.23%	238.2	5,269	4.01%	106.7
Other Liabilities	1,596	6.66%	53.4	1,402	7.19%	102.2	1,742	6.55%	57.7
Other Non-Interest Bearing Liabilities	3,031	-	0.0	3,397	-	0.0	4,335	-	0.0
Interest Bearing Liabilities And Other	**41,762**	**1.18%**	**247.4**	**41,046**	**1.40%**	**582.4**	**41,564**	**1.91%**	**400.5**
NIM / NII (without stage 3 impairment adjustment)		**2.52%**	**528.8**		**2.76%**	**1,149.4**		**2.84%**	**597.2**
Stage 3 impairment			-4.7			-6.8			-2.3
NIM / NII		**2.50%**	**524.0**		**2.75%**	**1,142.6**		**2.83%**	**594.9**

The average rate on assets increased by 59bps, from 4.16% in 2023 to 4.75%, driven mainly by the rate on customer credit which increased to 5.31% (+96bps YoY). The average balance of interest earning assets was €41.6bn (vs €41.0bn in 2023).

The average balance of customer deposits increased to €30.2bn, with a remuneration rate of 1.55% (2023: 0.82%), and the balance of money market funding totalled €5.3bn, with a rate of 4.01% (2023: 3.23%). The average interest rate for deposits in the month of June 2024 was 1.48% which compares with 1.56% in the month of March 2024.

The favourable evolution of asset yields (4.75%; 2023: 4.16%), more than offset the increase in liabilities interest rates (1.91%; 2023: 1.40%), with the overall net interest margin increasing to 2.83% from 2.75% in 2023 financial year-end.

FEES AND COMMISSIONS

Fees and commissions were €161.2mn, increasing 10.9% YoY (1H23: €145.4mn; 1Q24: €75.0mn; 2Q24: €86.2mn), driven by the momentum on fee income initiatives mainly on accounts and payments management, which offset headwinds from legislative changes on loan commissions that took effect in mid-2023. Accounts and payments management fees have been growing consistently throughout the quarters, reflecting the strength of novobanco's franchise, with higher volume of transactions, increased client base (+7.4% YoY) and new pricing, reaching €85.6mn (+27.8%; +€18.6mn YoY).

Fees and Commissions (mn€)	30-Jun-23	30-Jun-24	Change	
			absolute	%
Accounts and Payments Management	66.9	85.6	18.6	27.8%
Commissions on Loans, Guarantees and Similar	38.8	35.2	-3.6	-9.3%
Asset Management and Bancassurance	33.0	32.4	-0.6	-1.9%
Advising, Servicing and Other	6.7	8.1	1.4	21.2%
Fees and Commissions Total	**145.4**	**161.2**	**15.8**	**10.9%**

CAPITAL MARKETS AND OTHER OPERATING RESULTS

The results of capital markets were negative at -€4.7mm, reflecting gains and losses from the sale and revaluation of securities, foreign exchange results and hedging. As of 30 June 2024, the fair value reserves of the securities portfolio are in-line with 2023 financial year-end, at -€108.5mn.

Other operating results totalled +€1.5mn, which includes the contribution to the National Resolution Fund (€6.4mn), gains from the recovery of overdue credit, real estate and indirect taxes.

OPERATING COSTS

Operating costs at €242.7mn (+1.3% vs average of 2023). Staff costs were €131.5mn (+4% vs average of 2023), general and administrative expenses totalled €88.5mn (-3% vs average of 2023) and depreciation rose to €22.6mn (+4% vs average of 2023).

Commercial Cost to Income at 32.1% (1H23: 33.6%; 2023: 33.3%), reflection of the continuous focus on simplification and processes optimization.

Operating Costs (mn€)	30-Jun-23	30-Jun-24	Change	
			absolute	%
Staff Costs	120.6	131.5	11.0	9.1%
General and Administrative Costs	84.7	88.5	3.8	4.5%
Depreciation	19.8	22.6	2.8	14.1%
Operating Costs Total	**225.1**	**242.7**	**17.6**	**7.8%**

As of 30 June 2024, novobanco Group had 4,239 employees (Dec/23: 4,209; +0.7% YTD) and 290 branches (Dec/23: 290).

NET IMPAIRMENTS AND PROVISIONS

In the first half of 2024, novobanco Group recorded net impairments and provisions of €87.8mn (+€31.8mn YoY). Customer credit cost of risk was 38bps (1H23: 41bps and 1Q24: 35bps), reflecting the strengthening of asset quality and consequent improvement of coverage ratios.

Provisions for other assets and contingencies increased by €37.1mn, mainly from a €30.0mn provision for transformation process as part of the Bank's innovation and simplification strategic program.

Net Impairments and Provisions (mn€)	30-Jun-23	30-Jun-24	Change	
			absolute	%
Customer credit	58.6	53.3	-5.3	-9.1%
Other Assets and Contingencies	-2.6	34.5	37.1	...
Net Impairments and Provisions Total	**56.0**	**87.8**	**31.8**	**56.8%**

ACTIVITY, LIQUIDITY AND CAPITAL MANAGEMENT

CUSTOMER CREDIT

As a Portuguese universal Bank, novobanco mission is to be the trusted Bank, which supports families and companies throughout their lives, underpinned by a robust and disciplined loan granting policy. This support has been transversal to all sectors, with a special focus on exporting SMEs and companies that incorporate innovation in their products, services or production systems, increasingly following a sustainability-oriented approach.

Customer Credit (mn€)	30-Jun-23	31-Dec-23	31-Mar-24	30-Jun-24	YTD Change	
					absolute	%
Corporate Loans	**14,209**	**13,819**	**13,738**	**13,690**	**-130**	**-0.9%**
Corporate Securities	**2,745**	**2,682**	**2,894**	**3,118**	**435**	**16.2%**
Individual Loans	**11,599**	**11,669**	**11,664**	**11,682**	**13**	**0.1%**
Residential Mortgage	10,131	10,058	10,002	9,949	-109	-1.1%
Other Loans	1,468	1,611	1,662	1,733	122	7.6%
Customer Credit (gross)	**28,553**	**28,171**	**28,296**	**28,490**	**319**	**1.1%**
Impairment	**1,232**	**1,196**	**1,208**	**1,170**	**-26**	**-2.2%**
Customer Credit (net)	**27,321**	**26,975**	**27,087**	**27,320**	**345**	**1.3%**

Gross Customer credit increased to €28.5bn (+1.1% YTD), of which corporate customers represented 59%, residential mortgage 35% and other loans to individuals 6%. During the first half, loan origination totalled €2.3bn (2023: €3.5bn), of which 64% corporate, 25% mortgage and 11% consumer and others.

As of June 2024, the asset quality indicators are:

Asset Quality and Coverage Ratios (mn€)	30-Jun-23	31-Dec-23	31-Mar-24	30-Jun-24	YtD Change	
					absolute	%
Overdue Loans > 90 days	282	338	345	308	-30	-9.0%
Non-Performing Loans (NPL)	1,269	1,133	1,090	1,034	-99	-8.7%
Overdue Loans > 90 days / Customer Loans (gross)	1.1%	1.3%	1.4%	1.2%	-0.11	p.p.
Non-Performing Loans (NPL) Ratio	**4.9%**	**4.4%**	**4.3%**	**4.1%**	**-0.37**	**p.p.**
Credit provisions / Customer Loans	3.9%	3.7%	3.8%	3.6%	-0.1	p.p.
Coverage of Overdue Loans > 90 days	359.9%	282.4%	280.3%	296.9%	14.5	p.p.
Coverage of Non-Performing Loans	**80.0%**	**84.3%**	**88.8%**	**88.4%**	**4.1**	**p.p.**
Net Non-Performing Loans	**1.0%**	**0.7%**	**0.5%**	**0.5%**	**-0.2**	**p.p.**

Non-performing loans (NPL) showed a reduction of 8.7% in the first half, standing at €1,034mn. The net NPL ratio decreased to 0.5% (Dec/23: 0.7%), backed by both lower NPL ratio (Jun/24: 4.1% vs Dec/23: 4.4%) and increased coverage level (Jun/24: 88.4% vs Dec/23: 84.3%).

As at June 2024, novobanco exposure to real estate decreased 7.1% YTD to €427.3mn, representing less than 0.9% of novobanco total assets.

SECURITIES – ALM Portfolio

The Asset and Liabilities Management (ALM) Portfolio, which is the main source of assets eligible for funding operations with the European Central Bank (ECB), amounted to €7.9bn. As of 30 June 2024, ALM portfolio represented 18% of total assets, of which 68% was accounted at amortised cost.

As of 30 June 2024, the securities accounted at amortised cost had unrealised mark-to-market losses of €180mn (net of hedges and taxes).

ALM portfolio (mn€)	30-Jun-23	31-Dec-23	31-Mar-24	30-Jun-24	YTD Change	
					absolute	relative
Portuguese sovereign debt	927	653	957	1,436	783	...
Other sovereign debt	5,556	4,260	4,540	4,703	443	10.4%
Bonds	2,366	1,587	1,715	1,801	215	13.5%
ALM portfolio Total (net of impairment)	**8,849**	**6,499**	**7,213**	**7,941**	**1,441**	**22.2%**

FUNDING

Total customer funds increased to €37.1bn (Dec/23: €35.2bn), of which deposits represent 78.4% of the activity funding. Backed by the solid franchise and strong client relationship, in the period, customer deposits increased by €1.0bn to €29.1bn (Dec/23: €28.1bn; +3.5%). As of May/24, novobanco deposits' market share totalled 9.3%, of which 8.1% on retail and 12.9% on the corporate segment.

Total Funds (mn€)	30-Jun-23	31-Dec-23	31-Mar-24	30-Jun-24	YTD Change	
					absolute	%
Deposits	28,219	28,140	29,291	29,128	988	3.5%
Other Customer Funds (1)	1,539	1,844	1,782	1,511	-334	-18.1%
Debt Securities	1,177	606	1,595	1,910	1,304	...
Subordinated Debt	711	502	514	526	25	4.9%
Sub -Total	**31,646**	**31,092**	**33,181**	**33,075**	**1,983**	**6.4%**
Off-Balance Sheet Funds	4,019	4,113	4,111	4,061	-51	-1.3%
Total Funds	**35,664**	**35,204**	**37,292**	**37,136**	**1,932**	**5.5%**

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

LIQUIDITY

Novobanco's liquidity position during the first half of 2024 remained very comfortable, with a Liquidity Coverage Ratio (LCR) of 198% (vs. 163% in Dec/23) and Net Stable Funding Ratio (NSFR) at 121% (vs. 118% in Dec/23), both well above the regulatory requirement.

In terms of commercial activity, during the first half of 2024 the credit portfolio (gross) increased to €28.5bn (+€319mn YTD), while customer deposits increased by €1.0bn YTD, totalling €29.1bn, mostly driven by a strong performance of the corporate segment.

On the other hand, the ALM securities portfolio increased by €1.4bn since the end of 2023, mainly driven by the increase in Sovereign and Supra debt portfolio.

Regarding market funding, besides the €1bn of market funds raised through the issuance of covered bond and senior debt during 1Q24, the Bank agreed to a new funding line with the EIB and reduced its interbank repo funding, which by the end of first half of 2024 decreased by €0.9bn to €4.3bn (Dec/23: €5.2bn).

On 29 April 2024, the Bank was notified by the Bank of Portugal of its new MREL requirements, on a consolidated basis. From 1 January 2025, the requirement for own funds and eligible liabilities will be equivalent to (i) 24.01% of TREA plus the then applicable combined buffer requirement; (ii) 5.91% of the Leverage Ratio Exposure (LRE). As of 30 June 2024, novobanco was already complying with requirements with 28.36% MREL ratio and 12.33% LRE.

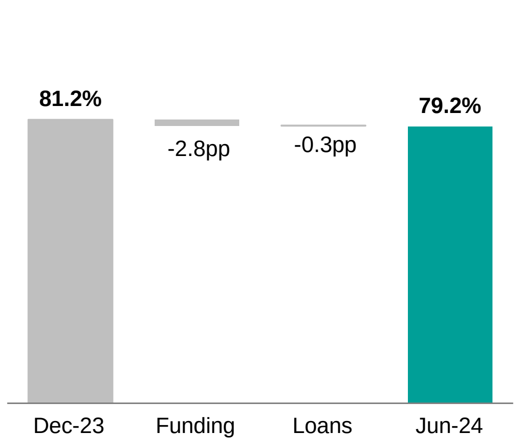
MREL Requirements: (%)	**Jan/22**	**Jan/25**	**Dec/23** *fully-loaded*	**Jun/24** *fully-loaded* [4]
TREA[1]	14.6%	24.0%		
Combined Buffer	2.5%	n.a.[2]		
O-SII	0.5%	n.a.[2]		
Total	**17.66%**	**24.01% + Buffers**	**24.37%**	**28.36%**
LRE [3]	**5.91%**	**5.91%**	**10.66%**	**12.33%**

(1) TREA - Total Risk Exposure Amount; Jan-26 requirement as announced on June 2023
(2) As of Jan-25 applicable requirement
(3) LRE - Total Leverage Exposure
(4) Equivalent to phased-in: MREL of 24.73% and 28.53% and LRE of 10.85% and 12.42% in Dec/23 and Jun/24, respectively

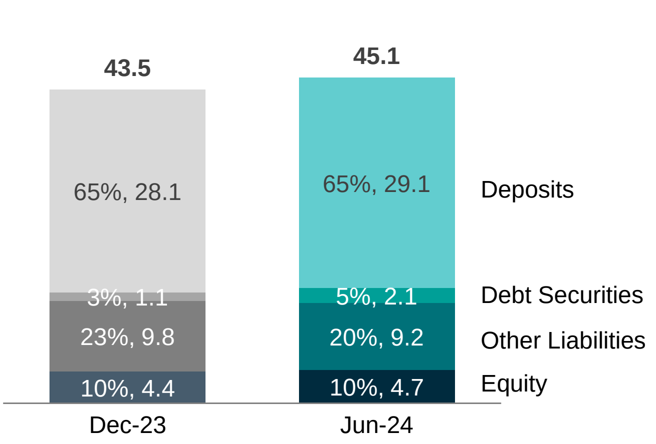
As of 30 June 2024, funding from the ECB amounted to €1.0bn, corresponding to the final tranche of TLTRO III which will mature in December 2024. Also, as of 30 June 2024, deposits at the ECB totalled €5.7bn (Dec/23: €5.4bn), and so net funding from the ECB (funding from the ECB minus deposits with the Europeans Central Banks) went from -€4.2bn on 31 December 2023 to € -4.7bn on 30 June 2024, with novobanco increasing novobanco's net lending position.

On 30 June 2024, the eligible assets portfolio available for use as collateral with the European Central Bank stood at €14.1bn, stable since 31 December 2023. The available amount of eligible assets for rediscount with the ECB totalled €7.8bn (net of haircuts), an increase of €0.5bn since the end of 2023. In addition to the abovementioned, novobanco has HQLA assets non-eligible with the ECB and deposits at the ECB, which makes up to a total liquidity buffer of €14.9bn, mostly composed of high-quality liquid assets.

Loan to Deposit Ratio
(%)



Funding Structure
(%; € billion)

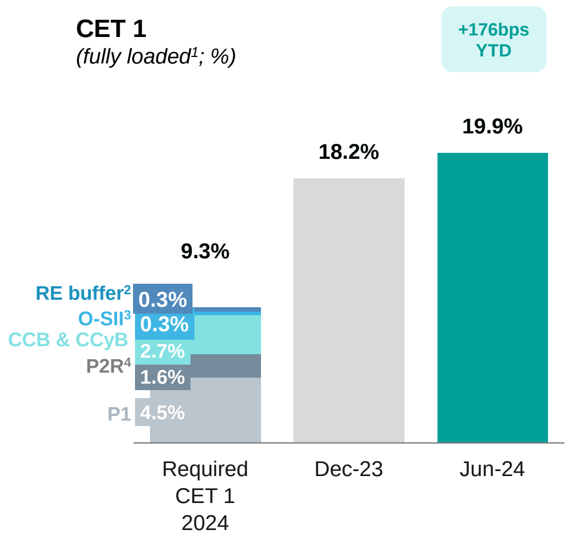


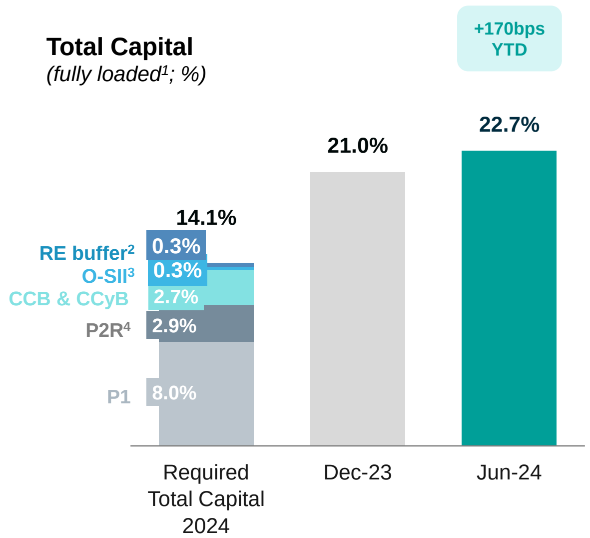
CAPITAL

Backed by a strong financial performance, in the period, fully loaded CET1 ratio increased by 176bps to 19.9% while the Total Capital ratio increased by 170bps to 22.7% (Dec/23: 18.2% and 21.0% respectively). The organic capital generation reflects the capital accretive business model with a solid top-line performance, efficient operations and disciplined capital allocation (CET1: +87bps 1Q24 and +89bps 2Q24).

Capital Ratios (CRD IV/CRR) (€mn)		31-Dec-23 (fully loaded)	31-Mar-24 (fully loaded)	30-Jun-24 (fully loaded) *
Risk Weighted Assets	(A)	20,399	20,779	20,883
Own Funds				
Common Equity Tier 1	(B)	3,703	3,952	4,158
Tier 1	(C)	3,705	3,953	4,160
Total Own Funds	(D)	4,280	4,529	4,736
Common Equity Tier 1 Ratio	**(B/A)**	**18.2%**	**19.0%**	**19.9%**
Tier 1 Ratio	**(C/A)**	**18.2%**	**19.0%**	**19.9%**
Solvency Ratio	**(D/A)**	**21.0%**	**21.8%**	**22.7%**
Leverage Ratio		**7.9%**	**8.2%**	**8.7%**

* preliminary





(1) Preliminary; the inclusion of positive results depends on an authorization from the ECB; (2) Starting on 1-Oct-24, capital requirements will include a buffer on exposures secured by residential real estate, expected to be ~30bps; (3) Phased regime for the introduction of a 0.5% O-SII reserve as a percentage of RWAs will start on 1-Jul-24 with 50% of the reserve (0.25% of RWAs), and 100% of the reserve starting on 1st July 2025 (0.50% of RWAs); (4) P2R in 2024 is 2.85%, which represents a decrease of 15bps

None of the amounts unpaid by the Resolution Fund under the Contingent Capital Agreement were considered in the calculation of regulatory capital.

Following the Extraordinary General Meeting held on 7 June 2024, the reorganisation of the capital of novobanco was approved, decreasing the share capital to 3,345,000,000.30€ represented by 500,000,000 shares (Dec/23: share capital of 6,567,843,862.91€ represented by 11,611,327,275 shares), with the following steps:

(i) the reallocation of free reserves, in the amount of 5,000,000,000.00€ to absorb negative retained earnings;

(ii) the reduction of the share capital in 3,351,516,580.00€ from the current amount of 6,567,843,862.91€ to the amount of 3,216,327,282.91€, to cover negative retained earnings in the amount of 2,870,294,596.73€, and to reinforce the legal reserves in the amount of 481,221,983.27€ and

(iii) the share capital increase, in accordance with the deferred tax assets special regime, in the amount of 128,672,717.39€, increasing the share capital from 3,216,327,282.91€ to 3,345,000,000.30€, following the conversion of the conversion rights for the financial year ended 31 December 2020, fully subscribed by the Resolution Fund. This increase was carried out by incorporating the special reserve created by reference to the underlying deferred tax assets.

CONTINGENT CAPITAL AGREEMENT

Following the dispute between the Resolution Fund and novobanco in the Arbitration Court regarding the payment requested under the Contingent Capital Agreement, for the 2020 financial year, the Court announced on 4 June 2024 that the Bank is entitled to the following amounts:

- Application by novobanco at the end of 2020 of the IFRS 9 transitional regime: €162mm;
- Valuation of participation units: €18mn (plus interests);
- Interest on late payment as a result of the delay in paying the €112mn instalment of the 2020 capital call: €5mn; and
- Compensation for additional damages caused by the retention of the portion of €112mn relating to the capital call and the non-payment of the amount of €18mn: amount to be determined.

BUSINESS SEGMENTS

Novobanco Group activities are centred on the financial sector targeting corporate, institutional and private individual customers. Its decision centre is in Portugal, making the domestic territory its core market. The products and services rendered include deposit taking, granting of loans to corporate and private customers, investment fund management, broker and custodian services and the commercialization of life and non-life insurance products, among others.

When evaluating performance by business area, the Group considers the following Operating Segments: (1) Retail, which essentially includes the activity of private and small business clients; (2) Corporate, which includes the activity of other companies and institutions; and (3) Support Functions. Each segment integrates the novobanco structures that directly relate to it, as well as the units of the Group whose businesses are mainly related to the segments. The individual and independent monitoring of each operating unit of the Group is complemented, at the Executive Board of Directors of novobanco level, by the definition of specific strategies and commercial programs for each unit.

Retail

Corresponds to all the activity developed with individual customers and small businesses, along with the fully consolidated operating subsidiaries novobanco Açores, BEST and GNBGA. The financial information of the segment relates, amongst other products and services, to mortgage loans, consumer credit, small business financing, deposits, retirement plans and other insurance products sold to individual customers, account management and electronic payments and placement of investment funds, brokerage and custodian services.

Corporate

Includes the activities developed with medium and large-sized companies, developed through a commercial structure dedicated to this segment, which includes 20 Corporate Centres. This segment also includes activities with institutional and municipal customers. The Group maintains an important presence in this segment, the result of the support it has lent to the development of the national business community, focused on companies with good risk, an innovative nature and an export activity.

Support Functions

This area does not correspond to an operational segment in the true sense of the concept, but rather to an aggregation of transversal corporate structures that ensure the basic functions of the Group's global management, including Treasury and Real Estate assets.

€ million	Retail			SMEs and corporate			Support Functions			Total		
	30-Jun-23	30-Jun-24	▲ €mn	30-Jun-23	30-Jun-24	▲ €mn	30-Jun-23	30-Jun-24	▲ €mn	30-Jun-23	30-Jun-24	▲ €mn
Commercial Banking Income	383	478	95	303	292	-11	-17	-14	3	669	756	87
Banking Income	385	479	94	307	293	-14	0	-19	-19	692	753	61
Operating Costs	152	163	11	46	52	6	27	28	1	225	243	18
Net Operating Income	233	316	83	261	242	-20	-27	-47	-20	467	510	43
Net Impairments and Provisions	17	27	10	43	29	-14	-4	31	35	56	88	32
Income before Taxes	**216**	**289**	**73**	**218**	**212**	**-6**	**-23**	**-78**	**-55**	**411**	**423**	**11**
Total Assets	14,525	14,562	37	14,347	14,313	-34	15,029	16,266	1,237	43,900	45,141	1,241
Customer Loans (net)	13,399	13,390	-9	13,908	13,921	13	14	9	-5	27,321	27,320	-1
Net Interest margin	2.67%	3.41%	0.74pp	3.67%	3.42%	-0.26pp	-0.26%	-0.30%	-0.04pp	2.50%	2.83%	0.34pp
Commercial Cost to Income	39.6%	34.0%	-5.59pp	15.2%	17.7%	2.49pp	-	-	-	33.6%	32.1%	-1.53pp

RETAIL BANKING

Since 2021, novobanco's Retail segment has undergone a period of significant adjustment in its service model, redefining its geographical presence and changing the way services are provided, with the aim of strengthening and consolidating long-term relationships with its customers. Currently, more than 274 Branches have adopted the new Distribution Model, of which 243 have VTMs (Virtual Teller Machines) that offer advanced transaction management solutions, forming an essential basis for the efficiency of the Branches and customer satisfaction.

The acquisition of new customers continues to evolve positively, along with the domiciliation of salaries (+15% vs 1H23), supported by initiatives such as (i) a customer loyalty program aimed at strengthening and deepening the commercial relationship; (ii) the Cross Segment program, through which employees of companies with protocols with novobanco have access to preferential conditions on various bank products and services, covering around 300,000 employees from more than 25,000 client companies; and (iii) a program to reactivate inactive clients.

As a bank dedicated to supporting families and businesses throughout their lives, novobanco launched a transformation program aimed at strengthening its position as an efficient and simple omnichannel bank focused on its customers. This quarter, the Bank expanded and accelerated its transformation efforts, focusing on improving customer journeys. This strategic shift is evidenced by notable increases in customer satisfaction in various areas, with very satisfied clients in the housing loan journey rising to 88.8% (+5.1pp YTD); satisfaction with the personal loans experience remained high at 94.9% (+2.1pp YTD), and satisfaction with the salary account experience reached 84.8% (+1.1pp YTD). Additionally, the overall quality of retail service remained at an excellence level (86.2%), and the Bank's app performance also improved to 84.2% (+0.8pp YTD).

In June, Loans to Customers (net) stood at €13.4bn (flat YoY; including small businesses), with increased production being offset by higher amortizations. In light of the strong competitiveness in the housing credit market, novobanco created specific acquisition and retention offers that position the Bank in the top 3 for competitiveness, a situation that is expected to strongly drive portfolio growth in the coming quarters. Additionally, reflecting the investment in new functionalities available on digital channels, the origination of other personal credit through digital channels increased by 35% compared to the previous year. In the same period, the small business customer base grew by 3%, and reflecting improvements in the payment offer, the number of automatic payment terminals (POS) increased by 2.6%.

The offering of savings and investment solutions has been reinforced, notably with the introduction of new investment funds and the integration of sustainability preferences into the management model of the Investment Advisory Service. Additionally, in the quarter, the new Trading Pro Service, a partnership with Saxo Bank, was launched. On the term deposits side, the Bank maintains its competitive offer, with different terms and characteristics, adjusted to different savings objectives.

Digital channels and the developments made in the commercial offer present in the online environment have played an increasing role in contributing to commercial results, representing a total of 27% (digital sales share) in the first half of 2024, with a focus on Consumer Credit and Insurance.

The Financial Margin grew to 3.41% (+74bp YoY), which, together with the increase in commercial activity, resulted in Commercial Banking Income of €478mn (+25% YoY). Operating costs increased by 7% vs the same period last year, to €163mn, leading to a Commercial Cost to Income ratio of 34.0% for the period.

In conclusion, the Retail segment achieved a Income Before Taxes of €289mn (1H23: €216mn) following commercial performance and a favorable interest rate environment.

CORPORATE BANKING

Positioning itself as a client-centred Bank, novobanco offers a distinct banking experience with a service model that relies on partnership and proximity as relationship anchors. Novobanco has 2 business hubs dedicated to large companies (Porto and Lisbon), 20 business centres with specialized teams in the mid-sized companies segment, and over 200 specialized managers dedicated to the small businesses segment, distributed across the 290 branches nationwide. In an omnichannel experience, novobanco clients have at their disposal novobanco online businesses, aimed at simplifying companies' daily operations through an increasingly broad set of functionalities, particularly treasury management. Digital channels have a high penetration rate, with c.80% of active online businesses, focusing on modernization and convenience to enhance user satisfaction levels, which stand at 82%. Meanwhile, satisfaction with service remains at an excellent level (94.7%; +2.1pp YTD).

Novobanco continues to strengthen its commitment to Portuguese companies, highlighting in the quarter:

- Strengthening market share in Factoring and Confirming: 13% YoY growth in accumulated billing and an increase in Factoring market share from 11.4% in Dec/23 to 12.3% in Mar/24;
- Focus on Equipment Leasing, a central product in investment support: 80% growth YoY, with around €170mn in accumulated production in 1H24, reaching a 15.3% market share;
- Supporting company investment: providing sector-specific financing solutions, notably the InvestEU BPF Line, the More Sustainable Tourism Support Line, and the Tourism Support Line, in partnership with the Portuguese Development Bank, the IFAP Agriculture Line, the EIB MidCaps Line, and the renewal of the Qualification of Offer Support Line (LAQO), in partnership with *Turismo de Portugal*;
- Financing approved projects with European Funds: systematic offer under PRR and Portugal 2030, with identification of application opportunities and financing of approved projects through short-term incentive anticipation and financing of external capital. A specialized team to support novobanco clients, with solutions available to aid project execution;
- Innovation in payment methods: 14.9% market share in automatic payment terminal (TPA) billing, with an innovative and competitive offer aimed at simplifying client collections. Launch of SmartPOS, simplification of business deposits with Virtual Teller Machines (VTMs), and a digital payments platform to optimize e-commerce collections;
- Recognition and distinction of the best companies in the country, supporting clients in achieving the COTEC 2024 Innovative Status, in partnership with COTEC Portugal, increasing market share from 21% to 30%.

Novobanco also maintains a strong presence in the export sector, with a wide range of products and specialized advice to support international trade, with about 60% of national exports coming from novobanco clients. This segment's expertise is valued and recognized, resulting in a 19.5% market share, with novobanco being elected for the 6th consecutive year as the best trade finance Bank in Portugal by Global Finance magazine.

Novobanco holds a robust position in supporting Portuguese corporates, with a market share of 13.7% in credit, including 18.5% in mid-sized companies, and 12.9% in deposits from non-financial corporations.

As of June 2024, Credit to customers (net) totalled €13.9bn (stable YoY). Reflecting the portfolio effect and risk appetite, Net Interest Margin was 3.42% (1H23: 3.67%), which resulted in Commercial Banking Income of €292mn (-4% YoY). Operating costs increased to €52mn (+12% YoY). All in all, Income before Taxes totalled €212mn (-3% YoY; -€6mn).

Digital Transformation

As a customer-centric bank, novobanco has launched an ambitious global transformation program. This program aims to consolidate its position in the Portuguese banking market through digitalization and innovation. In 2024, novobanco is adopting new work models to make the transformation more agile and effective, promoting greater transparency, alignment, and collaboration among teams.

The purpose of this transformation is to ensure that novobanco continues to support Portuguese families and businesses by offering a fully integrated and personalized omnichannel experience, while also capturing synergies for greater operational efficiency. Organized around the strategic pillars of "Customer-Centric" and "Simple and Efficient Bank," novobanco is committed to improving customer satisfaction and operational efficiency.

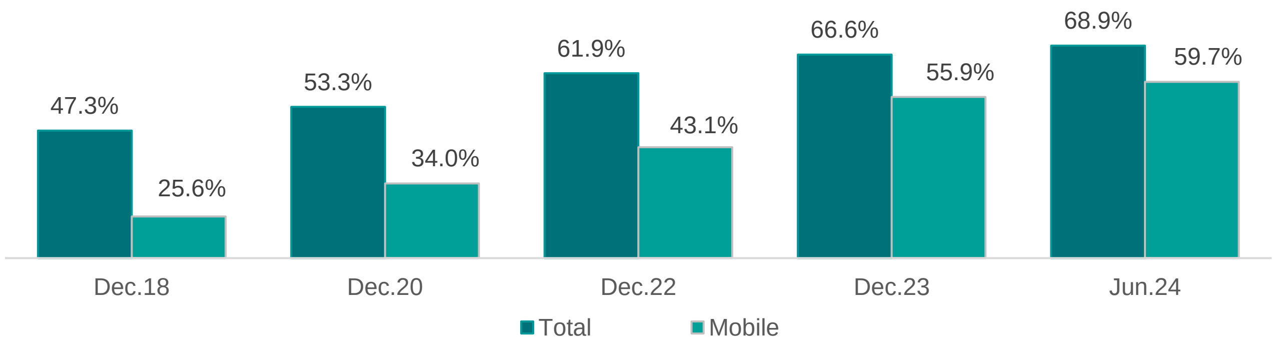
The structuring of work into streams dedicated to Retail, Corporate, Customer Satisfaction, and Operational Efficiency ensures a clear and effective alignment with the bank's priorities. This multidisciplinary approach incorporates the voice of the Customer and guarantees consistent and relevant deliveries to all stakeholders.

In the first half of 2024, the main innovation highlights are:

- Digital subscription for auto and health insurance with omnichannel integration and resumable simulations;
- Launch of the Trading Pro Service, allowing immediate investments in stocks and ETFs with dedicated support;
- Improved online processes for personal loans, with special conditions and requests up to €25,000;
- Launch of the Smart POS, integrating the billing system and automating the check-out process for merchants.

This strategy drove an increase in active digital customers, to 68.9% by Jun/24 (+5.8pp YoY; the number of digital customers increased by 15% YoY) and annual growth of 24% in the number of active mobile customers (60% of customers are mobile).

Active digital clients penetration rate



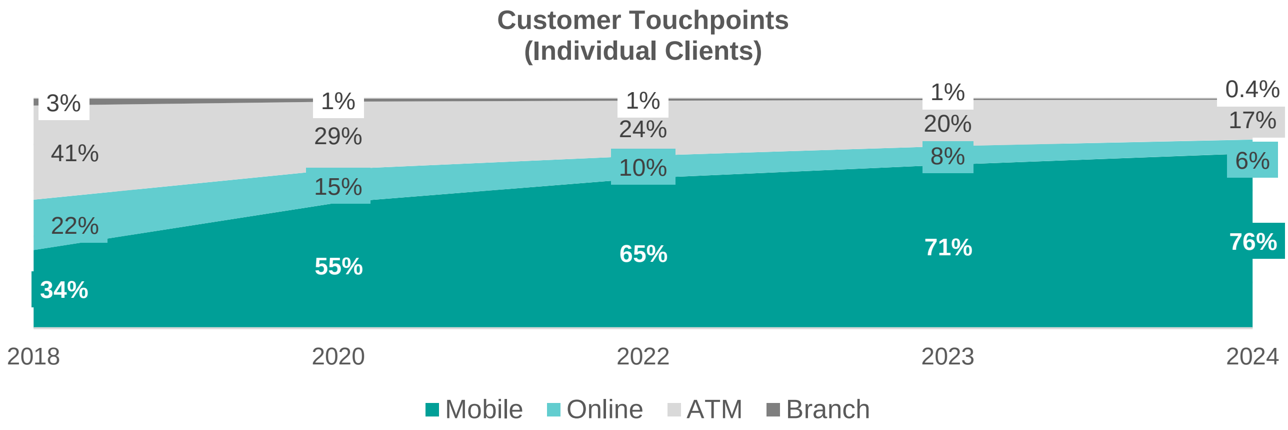
In June 2024, more than 70% of the operations in retail segment can be carried out in self-service mode. This figure increases to 85% and 94% in the small businesses and medium-large companies' segments, respectively.

Consequently, there has been a continuous increase in sales made via digital channels increasing 75% YoY compared to the same period last year (excluding naturally high deposit sales) and representing 9.5% of total sales (+3.5pp YoY; 26% including deposits), including:

(i) Investment products: +130% in the number of digital sales (+14pp in the share of digital sales compared to the same period last year). This result was driven by the expansion of the online offering, specifically in Capitalization Insurance and Retirement Savings Plans (PPRs), improvements in the subscription process, and investment portfolio profitability analysis;

(ii) Insurance: +102% in digital sales (+5pp in the share of digital sales) as a result of new omnichannel solutions developed for non-life insurance, with new end-to-end solutions for auto, home, and health insurance subscriptions;

(iii) Online account openings increased by 26% compared to last year, reflecting not only improvements in the customer journey but also the progressive extension of the solution to foreign clients.



In the period, 82% of individual clients' contacts with novobanco were made through the digital channels (+4pp YoY). Reflecting a reinforced focus on a "mobile digital first" strategy, mobile continues to be the main mean of contact of individual clients, with annual interactions (as measured by the number of *logins*) growing by 38%.

ECONOMIC ENVIRONMENT

The first half of 2024 was marked by the resilience of global economic activity, consistent with a soft-landing scenario in major economies. In the USA, GDP grew by 1.4% QoQ annualized in 1Q24 and 2% in 2Q24. In the Eurozone, there were growth rates of 0.3% QoQ in 1Q24 and 0.2% QoQ in 2Q24. This development was supported by low unemployment rates, rising real wages, excess savings supporting consumption, and favourable corporate earnings, maintaining relatively robust balance sheets. Despite expectations of a decline, inflation showed some persistence, especially in services. In the USA, price growth increased from 3.1% to 3.5% YoY until March, then retreated to 3.1% YoY until June. In the Eurozone, inflation decreased from 2.8% to 2.4% YoY until April, then rose to 2.5% YoY until June. The persistence of inflation partly reflected wage increases amid low unemployment rates (4.1% in the USA in June and 6.4% in the Eurozone in May).

The American Federal Reserve kept the fed funds target rate unchanged at 5.25%-5.5%. Meanwhile, the ECB, deeming it appropriate to moderate the restrictiveness of monetary policy, cut reference rates by 25bps in June, bringing the deposit facility rate to 3.75%. Both maintained an easing bias but stated that more information was needed to confirm inflation convergence to targets. In this context, and compared to the beginning of the year, the market moderated expectations of interest rate cuts. The 3-month Euribor decreased from 3.95% to 3.71% in the first half but remained 13bps above the level observed a year earlier. Reflecting persistency in inflation and a reduced number of expected rate cuts, 10-year Treasury and Bund yields rose 52 and 48bps, to 4.4% and 2.5%, respectively. The end of 2Q24 was marked by increased political risk, mainly due to the uncertainty generated by the calling of elections in France, contributing to some widening of sovereign spreads in the Eurozone and a slight penalization of this currency. In the first half, the euro depreciated by 3.1% against the dollar, to EUR/USD 1.072. The favourable corporate earnings, the (despite everything) expectation of interest rate cuts, and the attractiveness of artificial intelligence and the technology sector contributed to new highs in American stock indices. The S&P 500 and Nasdaq gained 14.5% and 18.1% in the semester, respectively. In Europe, the Euro Stoxx 600 and the DAX rose 6.8% and 8.9% by June, but with a decline in 2Q24.

In Portugal, GDP grew by 0.8% QoQ in 1Q24 and 0.5% QoQ in 2Q24, above the Eurozone records. The economy benefited mainly from the dynamism of private consumption and net exports, with a visible expansion of gross fixed capital formation, more pronounced in 2Q24. The favourable economic performance was also reflected in the unemployment rate decrease, from 6.6% to 6.5% of the active population between January and May, with employment growing by 0.3% in the same period. The year-on-year inflation measured by the CPI reached an annual high of 3.1% in May (with base effects related to energy and the end of Zero VAT), retreating to 2.8% in June. Housing prices continued a deceleration trend but with high growth (7% YoY in Q1), reflecting persistent supply constraints. The number of transactions fell by 4.1% YoY. The flow of new loan contracts to individuals and companies rose by 27.3% and 7.8%, respectively, in the January-May period (+33.4% YoY in new housing loans; -44.1% YoY in renegotiations). The spread between PGB and Bund yields at 10 years closed the first half at 75bps, after peaks of 84bps in January and 80bps in mid-June, the latter reflecting a very moderate contagion of French political risk to the Eurozone periphery. In March, S&P upgraded Portugal's sovereign rating to A-, with a positive outlook.

MAIN INDICATORS

Main Highlights	30-Jun-23	31-Dec-23	31-Mar-24	30-Jun-24
Activity (€mn)				
Net Assets	43 900	43 501	45 044	45 141
Customer Credit (gross)	28 401	28 171	28 296	28 490
Customer Deposits	28 219	28 140	29 291	29 128
Equity	3 981	4 422	4 554	4 672
Tangible book value	3 678	4 104	4 232	4 376
Solvency				
Common EquityTier I / Risk Weighted Assets	15.1%	18.2%	19.0%	19.9%[4]
Tier I / Risk Weighted Assets	15.1%	18.2%	19.0%	19.9%[4]
Total Capital / Risk Weighted Assets	17.8%	21.0%	21.8%	22.7%[4]
Leverage Ratio	7.1%	7.9%	8.2%	8.7%[4]
Liquidity (€mn)				
European Central Bank Funding [3]	-1,237	-4,246	-5,322	-4,675
Eligible Assets for Repo Operations (ECB and others), net of haircut	17 600	14 217	14 440	14 133
(Total Credit - Credit Provision) / Customer Deposits [2]	83%	81%	78%	79%
Liquidity Coverage Ratio (LCR) [4]	147%	163%	190%	198%[4]
Net Stable Funding Ratio (NSFR) [4]	114%	118%	123%	121%[4]
Asset Quality				
Overdue Loans > 90 days / Customer Loans (gross)	1.1%	1.3%	1.4%	1.2%
Non-Performing Loans (NPL) / Customer Loans	4.9%	4.4%	4.3%	4.1%
Credit Provision / Overdue Loans > 90 days	359.9%	282.4%	280.3%	296.9%
Credit Provision / Customer Loans (gross)	4.1%	3.7%	3.8%	3.6%
Cost of Risk (base points) [1]	41	51	35	38
Profitability				
Net Income for the Period (mn€)	373.2	743.1	180.7	370.3
Income before Taxes and Non-controlling interests / Average Net Assets [2]	1.7%	1.7%	1.8%	1.8%
Banking Income / Average Net Assets [2]	3.1%	3.3%	3.4%	3.4%
Income before Taxes and Non-controlling interests / Average Equity [2]	21.8%	21.2%	18.4%	23.6%
Return on Tangible Equity (RoTE)	22.4%	20.4%	17.3%	17.4%
Efficiency				
Operating Costs / Banking Income [2]	32.5%	33.2%	32.0%	32.2%
Operating Costs / Commercial Banking Income	33.6%	33.3%	31.8%	32.1%
Staff Costs / Banking Income [2]	17.4%	17.5%	17.0%	17.5%
Employees (No.)	**4132**	**4209**	**4227**	**4239**
Branch Network (No.)	**292**	**290**	**290**	**290**

(1) Customer credit cost of risk
(2) According to Banco de Portugal Instruction n. 16/2004, in its version in force
(3) Includes funds from and placements with the ESCB; positive = net borrowing; negative = net lending
(4) Preliminary

FINANCIAL STATEMENTS

NOVO BANCO, S.A.

CONSOLIDATED INCOME STATEMENT AS AT 30 JUNE 2024 AND 2023

thousands of Euros

	30.06.2024	30.06.2023
Interest Income	1 215 318	850 281
Interest Expenses	(620 390)	(326 264)
Net Interest Income	**594 928**	**524 017**
Dividend income	3 235	1 776
Fees and commissions income	181 417	168 017
Fees and commissions expenses	(22 798)	(23 620)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	229	11 113
Gains or losses on financial assets and liabilities held for trading	5 983	4 274
Gains or losses on financial assets mandatorily at fair value through profit or loss	368	5 130
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	(3)	2
Gains or losses from hedge accounting	(19 690)	15 883
Exchange differences	7 451	5 761
Gains or losses on derecognition of non-financial assets	838	(283)
Other operating income	28 933	45 663
Other operating expenses	(63 881)	(79 642)
Operating Income	**717 010**	**678 091**
Administrative expenses	(220 022)	(205 217)
Staff expenses	(131 549)	(120 565)
Other administrative expenses	(88 473)	(84 652)
Cash contributions to resolution funds and deposit guarantee schemes	(6 466)	(22 334)
Depreciation	(22 630)	(19 839)
Provisions or reversal of provisions	(48 170)	(8 935)
Commitments and guarantees given	(10 966)	(712)
Other provisions	(37 204)	(8 223)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(42 317)	(56 401)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	1	1
Impairment or reversal of impairment on non-financial assets	2 686	9 350
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	3 989	2 570
Profit or loss before tax from continuing operations	**384 081**	**377 286**
Tax expense or income related to profit or loss from continuing operations	(17 708)	(1 577)
Current tax	(8 544)	(9 120)
Deferred tax	(9 164)	7 543
Profit or loss after tax from continuing operations	**366 373**	**375 709**
Profit or loss from discontinued operations	6 254	(97)
Profit or loss for the period	**372 627**	**375 612**
Attributable to Shareholders of the parent	**370 340**	**373 171**
Attributable to non-controlling interests	2 287	2 441
	372 627	**375 612**

NOVO BANCO, S.A.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2024 AND 31 DECEMBER 2023

thousands of Euros

	30.06.2024	31.12.2023
ASSETS		
Cash, cash balances at central banks and other demand deposits	6 014 336	5 867 189
Financial assets held for trading	788 740	436 148
Financial assets mandatorily at fair value through profit or loss	241 078	264 912
Financial assets at fair value through other comprehensive income	1 968 275	838 523
Financial assets at amortised cost	32 770 811	32 452 537
Securities	8 233 852	7 870 536
Loans and advances to banks	78 613	47 940
Loans and advances to customers	24 458 346	24 534 061
Derivatives – Hedge accounting	641 576	683 063
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(100 684)	(83 498)
Investments in subsidiaries, joint ventures and associates	56 744	59 511
Tangible assets	782 934	757 549
Tangible fixed assets	410 490	363 754
Investment properties	372 444	393 795
Intangible assets	93 023	86 748
Tax assets	956 525	931 036
Current Tax Assets	29 239	29 376
Deferred Tax Assets	927 286	901 660
Other assets	898 269	1 117 258
Non-current assets and disposal groups classified as held for sale	29 542	89 814
Total Assets	**45 141 169**	**43 500 790**
LIABILITIES		
Financial liabilities held for trading	88 364	100 639
Financial liabilities measured at amortised cost	38 782 114	37 330 355
Deposits from central banks and other banks	5 143 072	5 745 326
(of which: repos)	3 231 454	3 867 053
Due to customers	30 638 557	29 984 273
(of which: repos)	1 093 131	1 366 382
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	2 436 312	1 107 585
Other financial liabilities	564 173	493 171
Derivatives – Hedge accounting	182 906	124 729
Fair value changes of the hedged items in portfolio hedge of interest rate risk	25 503	62 049
Provisions	465 377	430 829
Tax liabilities	14 781	10 808
Current Tax liabilities	14 781	10 808
Other liabilities	898 176	1 005 846
Liabilities included in disposal groups classified as held for sale	11 905	13 107
Total Liabilities	**40 469 126**	**39 078 362**
EQUITY		
Capital	3 345 000	6 567 844
Accumulated other comprehensive income	(1 160 372)	(1 070 125)
Retained earnings	13 814	(8 577 074)
Other reserves	2 080 192	6 736 004
Profit or loss attributable to Shareholders of the parent	370 340	743 088
Minority interests (Non-controlling interests)	23 069	22 691
Total Equity	**4 672 043**	**4 422 428**
Total Liabilities And Equity	**45 141 169**	**43 500 790**

GLOSSARY

INCOME STATEMENT

Fees and Commissions	Fee and commission income less fee and commission expenses
Commercial banking income	Net interest income and fees and commissions
Capital markets results	Dividend income, gains or losses on the 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 that must be accounted for at fair value through profit or loss, gains or losses on financial assets and liabilities accounted for at fair value through profit or loss, gains or losses from hedge accounting and exchange differences
Other operating results	Gains or losses on the derecognition of non-financial assets, Other operating income, Other operating expenses, Proportion of profits or losses from investments in subsidiaries and joint ventures and associates accounted for using the equity method
Banking Income	The sum of Net interest income, Fees and commissions, Capital markets results and Other operating results
Operating costs	Staff costs, general and administrative expenses and depreciation and amortisation
Net Operating Income	Banking income - Operating costs
Provisions and Impairments	Provisions or reversal of provisions, Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates and Impairment or reversal of impairment of non-assets financial

BALANCE SHEET / LIQUIDITY

Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as non-tradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Customer credit	Customer loans and debt securities associated with credit operations with clients, being Gross before impairments and Net after impairment
ALM portfolio	Securities booked in the Asset and Liability Management Portfolio, 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.
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB
Total Customer Funds	Deposits, other customer funds, debt securities and off- balance sheet customer funds
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.

ASSET QUALITY AND COVERAGE RATIOS

Overdue loans ratio	Ratio of overdue loans to total credit.
Overdue loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of risk	Ratio of initial fair value and impairment charges accounted in the period for credit and guarantees risk and debt securities associated with credit operations with clients with gross customer loans and debt securities associated with credit operations with clients.
Non-performing loans	Loans classified as in default according to internal definition – which is line with regulatory definition from article 178 of Capital Requirement Regulation –, i.e. (i) loans with material overdue amount for more than 90 consecutive days or (ii) loans identified as unlikely to pay, in accordance with qualitative criteria.
Non-performing loans ratio	Ratio calculated with non-performing loans / loans to customers (gross)

Non-performing loans coverage ratio	Ratio calculated between impairment on customer loans and non-performing loans
EFFICIENCY AND PROFITABILITY RATIOS	
Efficiency (Staff costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of staff costs to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses)
Efficiency (Operating costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Profitability Banco de Portugal Instruction n. 16/2004	Ratio of banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses) to average net assets.
Return on average net assets Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.
Return on tangible equity	Ratio of net income to average equity, excluding intangibles and CCA receivables.

ABREVIATIONS	
€mn	million euros
€bn	billion euros
pp	percentage points
bps	basis points
QoQ	quarter-on-quarter
YoY	year-on-year
YTD	year-to-date
OCR	Overall Capital Requirements
P2G	Pillar 2 Guidance

CONFERENCE CALL: 1H24 FINANCIAL RESULTS

Date: **Thursday, 1 August 2024**
Time: **13:00 Lisbon/London**
Link: https://channel.royalcast.com/landingpage/novobancoen/20240801_1/

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