

NOVO BANCO^L



Institutional Presentation

Unaudited financial information

May 2017

Agenda

1. General Overview and Business Model

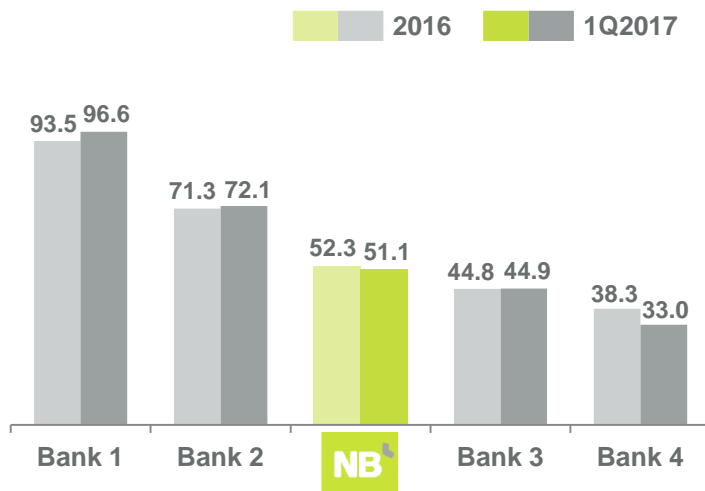
2. 1Q2017 Results

3. Summary

Appendix : Consolidated Balance Sheet and Income Statement

NOVO BANCO was created in Aug-14 after the resolution measure applied to BES. Share capital fully underwritten by the Resolution Fund

Net Assets ¹ (Portuguese Banks, € billion)



- **NOVO BANCO** is a **reference institution in the Portuguese financial system**, with over 1.3 million clients
- 3rd largest bank in Portugal by net assets (€51.1 billion)

Capital and shareholder structure



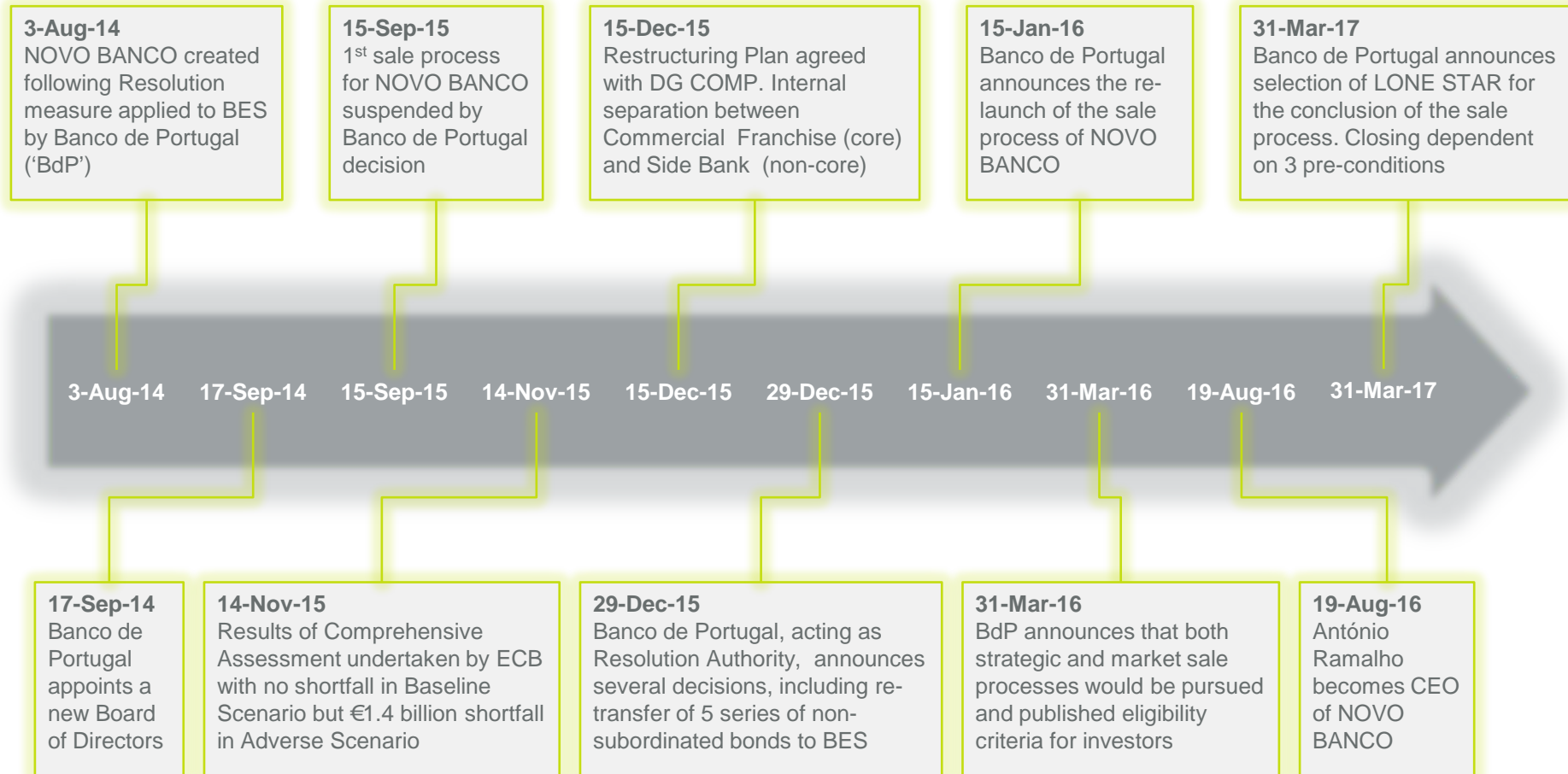
- Share capital of **NOVO BANCO** amounts to **€4.9 billion** and is fully underwritten by the Resolution Fund.

- The sale process of **NOVO BANCO** was re-launched in Jan-16, and on 31 March 2017, Banco de Portugal informed about the selection of LONE STAR for the conclusion of the sale process and that the Resolution Fund had signed the contractual documents of the sale. The closing of the sale operation is depending on obtaining the required regulatory authorizations (including by the European Central Bank and the European Commission) and on the completion of a liability management exercise.

¹ Source: 1Q2017 Results Press Releases (CGD, Millennium bcp, Santander Totta and BPI).

² The Resolution Fund was created in 2012 and its primary goal is to provide financial support for the implementation of resolution measures determined by Banco de Portugal. The Resolution Fund is a public-law legal person with administrative and financial autonomy. It is operated within Banco de Portugal.

NOVO BANCO timeline



NOVO BANCO broke with former BES legacy of a financial conglomerate to focus on a domestic commercial franchise



...-2014

- A financial conglomerate, with a full range of banking services...
 - Retail banking
 - Private banking
 - Corporate banking
 - Trade finance
 - Asset management
 - Investment banking
 - etc
- ...with a growing international footprint in Iberia, Portuguese speaking countries and oil rich emerging market countries...
- ...and a diversified presence across the Portuguese economy through several financial and non-financial equity stakes



NOVO BANCO

2014-2015

- Transition management agenda to prepare the sale of the bank
 - Recovery of client confidence and retain deposits
 - Preserve the group integrity and maximise the option value for the buyer (with the exception of the sale of BESI)
 - Pursue incremental management improvements
 - Start of the restructuring process

NOVO BANCO

2015-2020 *

- **Refocus on the Portuguese** market supported by a reduced international footprint (only when synergetic with domestic operations)
- Identification of **two realities** with **distinct management agendas**:
 - **A Commercial Franchise to recover and grow in core segments** (retail and corporate) leveraging a competitive value proposition
 - Leadership in corporate segment
 - High potential and efficient retail model
 - **A Side Bank to manage and deleverage a legacy portfolio** of non-core and non-productive assets

* the completion of the announced sale to Lone Star could impact the current strategy

Strategic priorities up to now: leveraging key commercial strengths and orderly reduction of exposure to non-core assets

2014

2015

2016

2017

I Solving liquidity and funding constraints

II Managing the capital position

III Restoring profitability (Commercial Franchise)

IV Downsize Side Bank

I

- **Deleverage**
- **Improve liquidity and funding position** by strengthening the customer deposit base
- **Reduce non-performing asset base**

II

- **Manage regulatory capital position** through deleveraging
- **Sale of BES I**
- Selected **sales of real estate and equity stakes**
- **Optimisation of RWAs**
- **Estimated Phased-in CET 1 Ratio of 10.8% at Mar-17**

III

- **Focus on core business** with distinctive value proposition
- **Normalise funding costs**
- **Reduce operating costs** by simplifying the group structure and reducing footprint
- **Increase productivity** leveraging on digitalisation
- **Reduce cost of risk** and impairment charges by reviewing risk appetite and strengthening governance

IV

- **Side Bank asset size of €8.7 billion** as of Dec-16, down from €10.8 billion as of Dec-15
- **Wind-down or sell non-core international operations**
- **Accelerated sale of non-core assets** (real estate, equity stakes)
- **Recovery or sale of out-of-strategy credit portfolio**

NOVO BANCO is a universal bank, with a wide offer and a well defined approach to each of its business segments

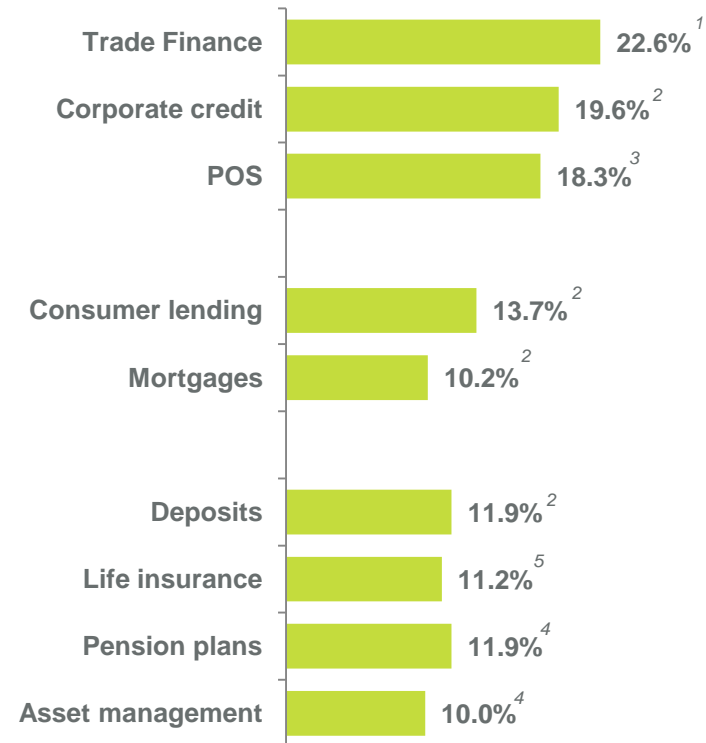
Business Segments



■ **NOVO BANCO** operates a diversified range of financial services.

Market Share in selected Business Lines

Dec-16

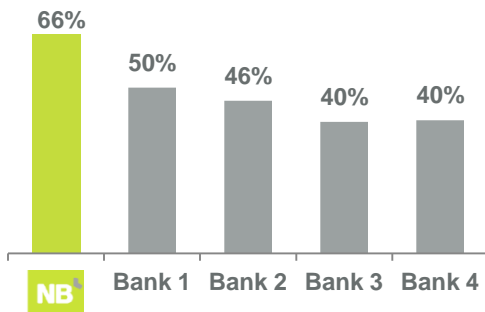


NOVO BANCO is the reference bank in Portugal in Corporate Banking, in particular for SMEs

Business Segments



Weight of Corporate Credit in Overall portfolio¹ (Portuguese Banks)



Corporate Banking

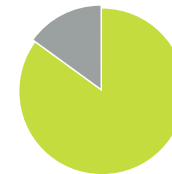


- NOVO BANCO has a market share of 19.6% in corporate credit. 83%² of large corporate and 79%² of SMEs are NB Clients.
- 21 corporate centres (including 1 centre in NB Açores), widespread throughout Portugal. Commitment to be a reference partner for the corporate clients daily activities.
- To support the corporate segment across all industry sectors placing a particular focus on the exporting SMEs and those that incorporate innovation in their products, services or production systems.
- Innovative offer with *Express Bill* (solution for payments and collections) and *Fine Trade* (tool that identifies export opportunities for corporate clients).

Clients of NOVO BANCO



From c. 25k SME's in Portugal, 79%² are NB's Clients.



From c. 3,500 Large Corporate in Portugal, 83%² are NB's Clients.

* Domestic Commercial Banking Includes Retail, Corporate and Institutional Clients and Private Banking.

¹ Data as of Mar-17. Source: 1T2017 Press Releases (CGD, Millennium bcp, Santander Totta and BPI).

² Estimated by management, based on Informa DB + applying an average of NB group companies to the number of non clients in the market

NOVO BANCO has a leading domestic Retail and Private Banking franchise, supported by a leading multi-channel platform

Business Segments



- Large client base with more than 1.3 million clients

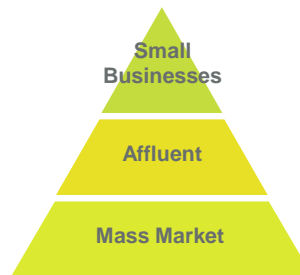


Retail and Private Banking



- NOVO BANCO has a market share of 10.2% and 13.7% in residential Mortgages and Personal Loans respectively.
- The Bank has a specialized, diversified and distinct product offer to meet its private individuals, private banking and small business clients' needs.
- In addition to the strong branches network and the 13 private banking units, NOVO BANCO has a multi-channel approach through internet banking, phone banking, mobile banking (smartphone and tablet).
- Banco BEST, a 100% subsidiary online commercial bank targetting affluent and private banking customers.

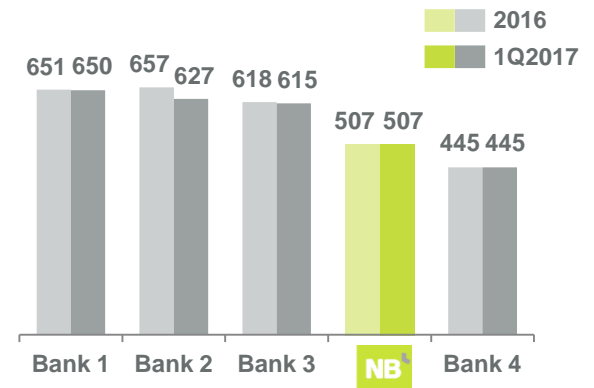
Sub-Segmentation (Retail)



Private Banking is also sub segmented in "Executive Professionals"; "Entrepreneurs"; "Traditional Family" and "Top Private".

Sub-segmentation leads to a more focused commercial approach

Retail Branches in Portugal



507 domestic branches (reduction of 89 in 2016) in line with the new business environment reality

Domestic Commercial Banking complemented by Asset Management, Life Insurance and Markets, with international presence to support NOVO BANCO clients

Business Segments



Asset Management



Insurance



Markets

International Commercial Banking

Asset Management

- Carried out by **GNB Gestão de Ativos** (100% owned by **NOVO BANCO**).
- Wide product range** covering mutual funds, real estate funds, pension funds, discretionary and wealth management services.
- Total AuM's as of Mar-17 of €11.7 billion.

Life Insurance

- Carried out by **GNB Seguros Vida** (100% owned by **NOVO BANCO**), which provides life insurance products and retirement plans both in Portugal and Spain.
- NOVO BANCO** also has a 25% stake in **GNB Seguros**, which focus its activity in Portugal with non-life products such as home, car and health insurance.

Markets

- Global financial management activity of the Group, whether of a strategic nature or as part of current trading activity.**
- Issuance of debt and placement of funds in the financial markets;
- Investment and risk management of credit, interest rate, FX and equity instruments.

International Commercial Banking

- International presence to support **NOVO BANCO** clients.
- Business development focused in Spain (Mar-17 net assets of €3.0 billion) and additional platform to support Iberian clients.

Agenda

1. **General Overview and Business Model**

2. **1Q2017 Results**

Highlights

Funding and Liquidity

Capital

Results

3. **Summary**

Appendix : Consolidated Balance Sheet and Income Statement

Highlights

Results

- **Core Operating Income*** of **€59.6 million**, growing **7.0% vs 1Q2016**.
- **Banking income totalled €180.8 million**, reflecting a 22.8% YoY decrease, although underpinned by the positive contribution of fees and commissions (+8.2%).
- **Operating costs reduced 12.9% YoY**, to €135.2 million, confirming the downward trend observed since the creation of **NOVO BANCO**.
- **Provision charge of €137.4 million, €210.8 million lower than in the 1Q2016** (-60.5% YoY). Credit impairments amounted to €119.3 million, which compares with €185.5 million a year earlier (-35.7%).
- **Negative Net Income of €130.9 million, comparing favourably with the €249.4 million loss reported in 1Q2016**.

Income Statement (€ million)

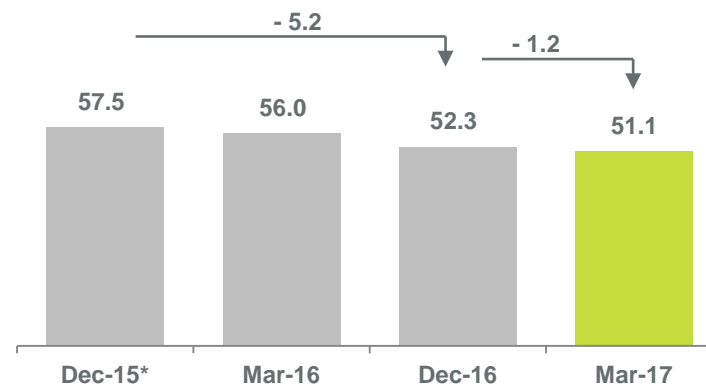
	1Q2016	1Q2017	Change %
Net Interest Income	140.8	119.0	(15.5%)
+ Fees and Commissions	70.1	75.8	8.2%
= Commercial Banking Income	210.9	194.8	(7.6%)
+ Capital Markets and Other Results	23.2	(14.1)	-
= Banking Income	234.1	180.8	(22.8%)
- Operating Costs	155.2	135.2	(12.9%)
= Net Operating Income	78.9	45.6	(42.3%)
(= Core Operating Income*)	55.7	59.6	7.0%
- Net Provisions	348.2	137.4	(60.5%)
= Income Before Taxes	(269.3)	(91.8)	65.9%
- Taxes and Non-controlling interest	(19.9)	39.1	-
= Net Income	(249.4)	(130.9)	47.5%

Highlights

Activity and Capital

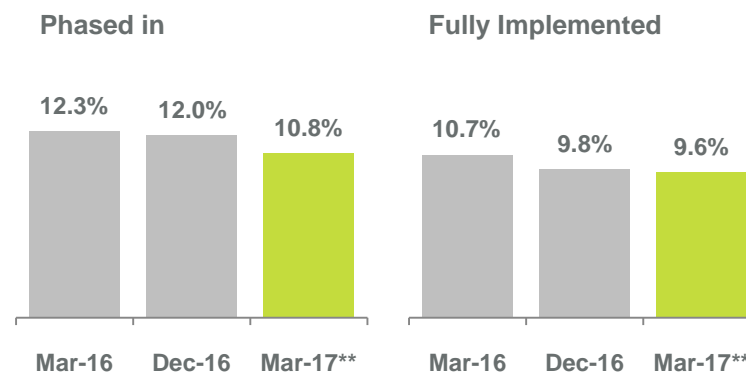
- Customer loans were down by €0.3 billion in the 1Q2017, in line with the deleveraging process still under way.
- Production of Residential Mortgage Loans increased 57% YoY vs 1Q2016 and consumer loans production grew 62% vs 2016 monthly average (+126% YoY).
- Customer deposits of €25.2 billion, from €25.1 billion in the 1Q2016.
- Loan to deposit ratio of 110%, improved compared to the 1Q2016 (115%) and is in line with its value in Dec-2016.
- The last bond issuance guaranteed by the Portuguese Republic matured on 17-Feb-2017 (€1,500 million). This meant that **NOVO BANCO** ceased to have any kind of debt instrument guaranteed by the Portuguese Republic (initial amount of the 3 debt issues: €3,500 million).
- Estimated CET1 phased-in ratio of 10.8% and CET1 under the full implementation regime at 9.6%.

Assets (€ billion)



* Restated figures

CET1 Ratios



** Estimated figures for Mar-17

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Capital

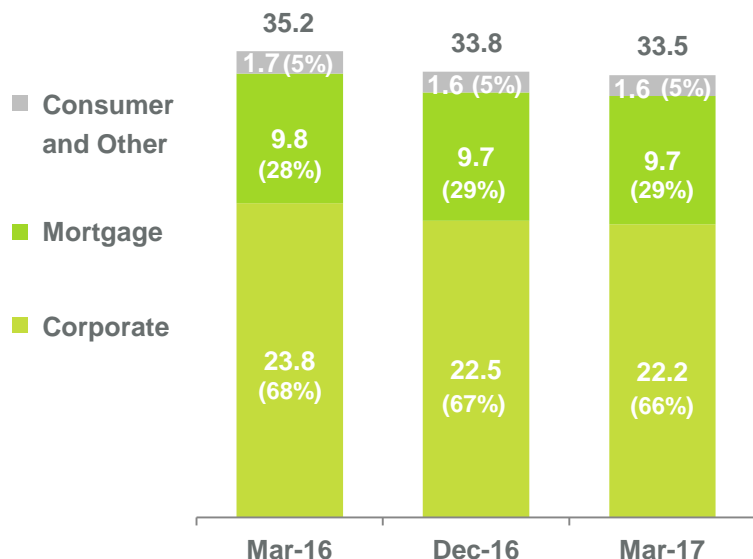
Results

3. **Summary**

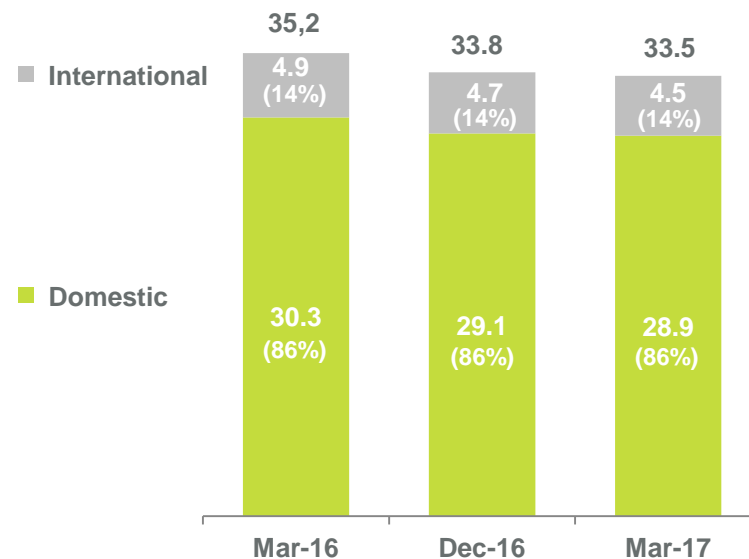
Appendix : Consolidated Balance Sheet and Income Statement

Decrease of Customer Loans in line with the balance sheet deleveraging process and a result of the selective lending policy

Loans per Segment (Gross, € billion)



Loans per Geography (Gross, € billion)

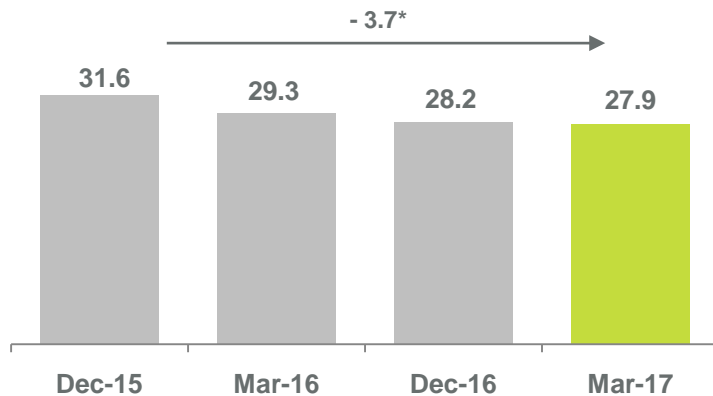


- Customer loans were down by €0.3 billion in the 1st quarter of 2017, which is in line with the deleveraging process still under way.
- Market share of 22% on the 'Capitalizar' Credit Line for Small Business.

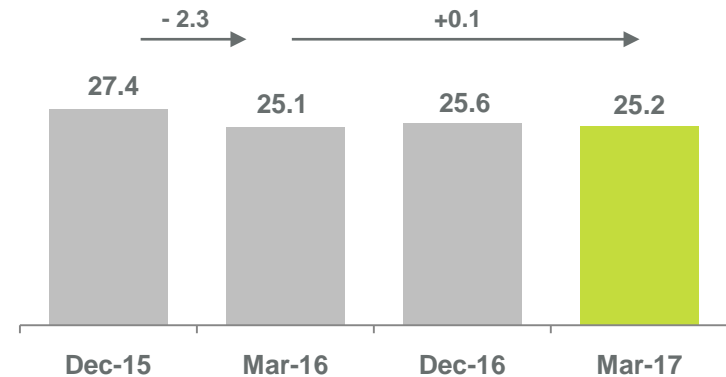
- Stock of Residential Mortgage Loans and Consumer and Other Loans to Individuals stable comparing with Dec-16.
- Residential Mortgage Loans and Consumer Loans with strong growth in production (+57% and +126%, compared with the 1Q2016).

Stability in Customer Deposits since the 1Q2016 (+€0.1 billion YoY)

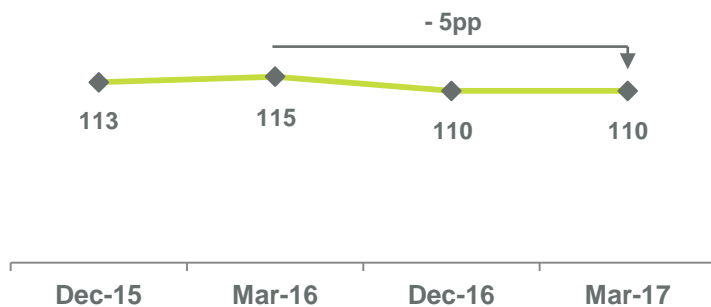
Net Loans (€ billion)



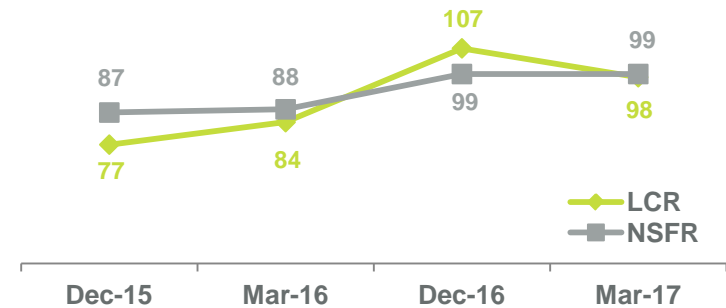
Customer Deposits (€ billion)



Loan to Deposit Ratio (%)

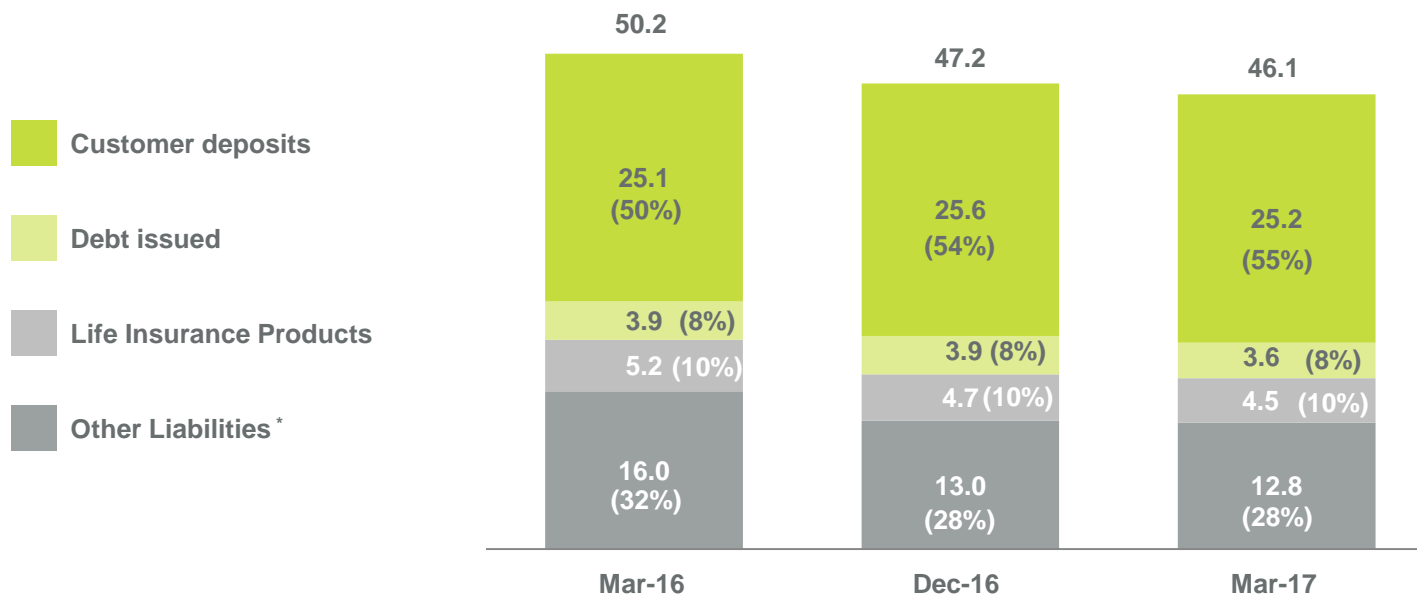


Liquidity Ratios (%)



Customer Deposits increase weight in funding structure (excluding Shareholders Equity)

Evolution of the funding structure (€ billion, as a % of Total Liabilities)

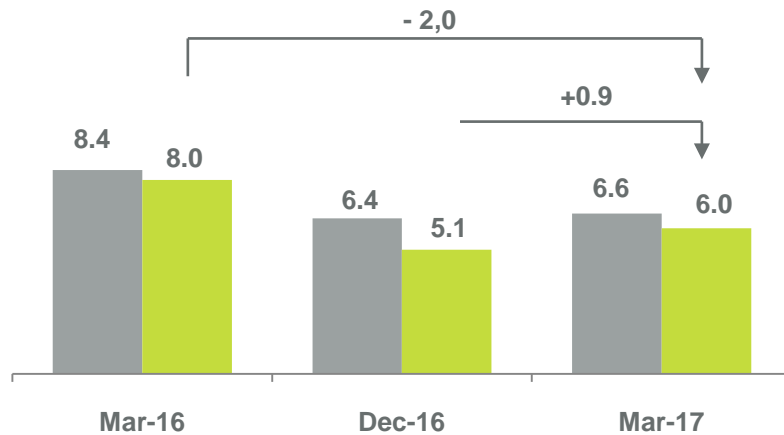


- Customer deposits continue to be the main funding source.
- The last bond issuance guaranteed by the Portuguese Republic matured on 17-Feb-2017 (€1,500 million). This meant that **NOVO BANCO** ceased to have any kind of debt instrument guaranteed by the Portuguese Republic (at the time of its incorporation **NOVO BANCO** had three issues totalling: €3,500 million).

Increase of net ESCB* funding in €0.9 billion in the 1Q2017, but below 1Q2016 levels

ESCB Funding (€ billion)

- Gross Central Banks Funding
- Net Central Banks Funding



- Net Funding with the ECB increased by €0.9 billion in the 1Q2017 to €6.0 billion, but with reduction compared to Mar-2016.

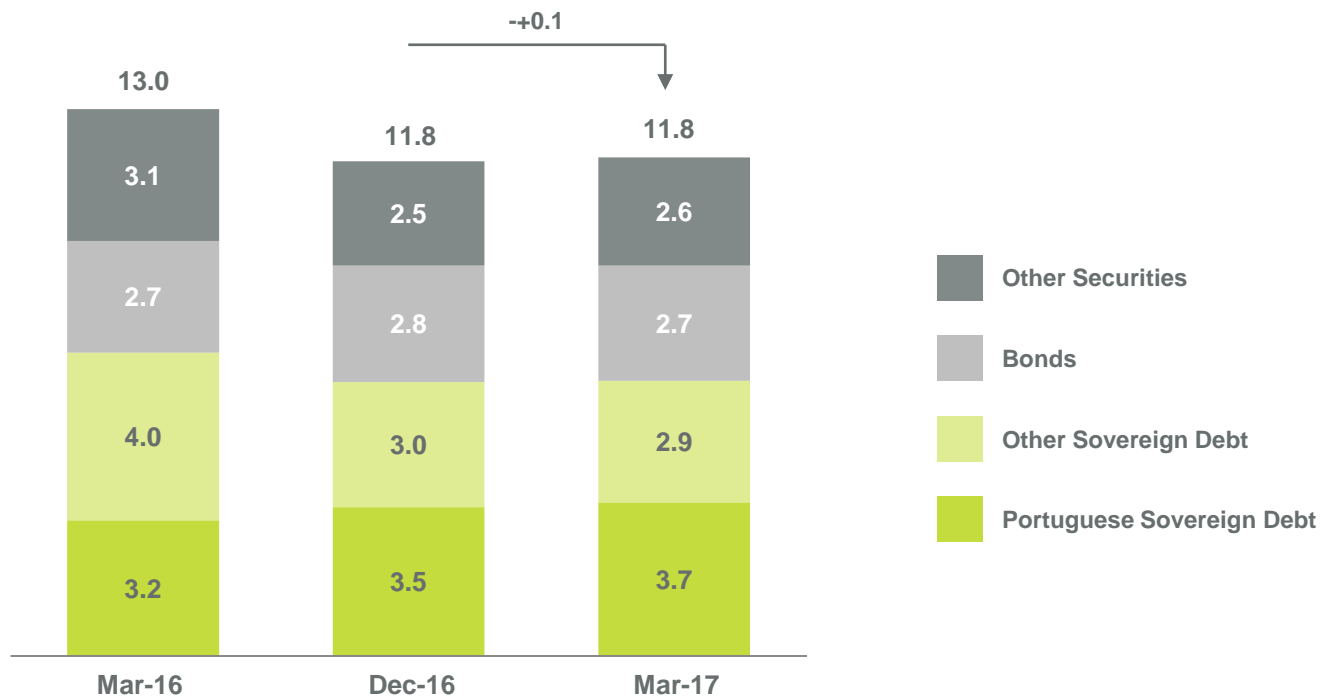
Eligible Assets (€ billion)



- Stability in the portfolio of securities available for rediscount (+€0.1 billion in the quarter).

Securities portfolio based in securities with lower risk and higher liquidity

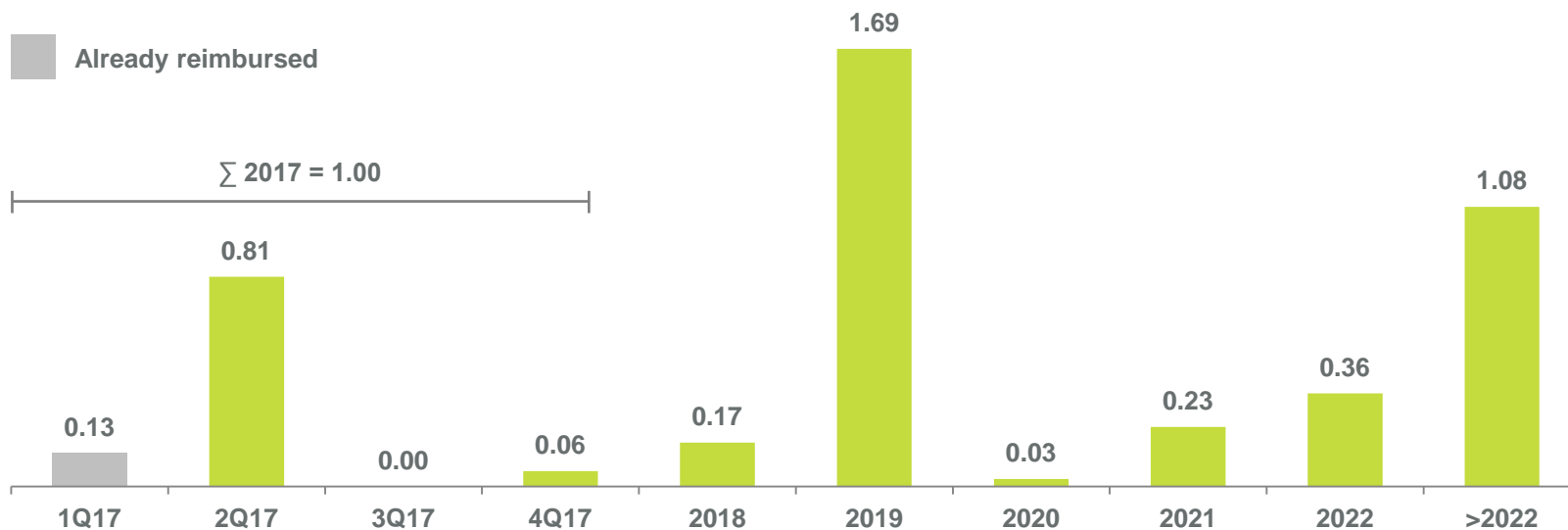
Evolution of Securities Portfolio (€ billion)



- Sovereign Bonds from Euro Zone countries account for 55% of total securities portfolio. Weight of Portuguese Sovereign Debt increased to 31% of total Securities Portfolio.
- Positive fair value reserve of €195 million (Dec-15: €151 million).

In 2017 planned wholesale MLT debt reimbursements amount to €1.0 billion*

Wholesale MLT* Funding (€ billion)



- In 2017 planned reimbursements amount to circa €1.0 billion.
- All the debt guaranteed by the Portuguese Republic was cancelled (€1.7 billion in Nov. and Dec. 2016) or repaid (€1.8 billion in Jan. and Feb. 2017).
- In the 1Q2017 **NOVO BANCO** redeemed €40 million in covered bonds, which were placed in the market in 2010.

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Funding and Liquidity

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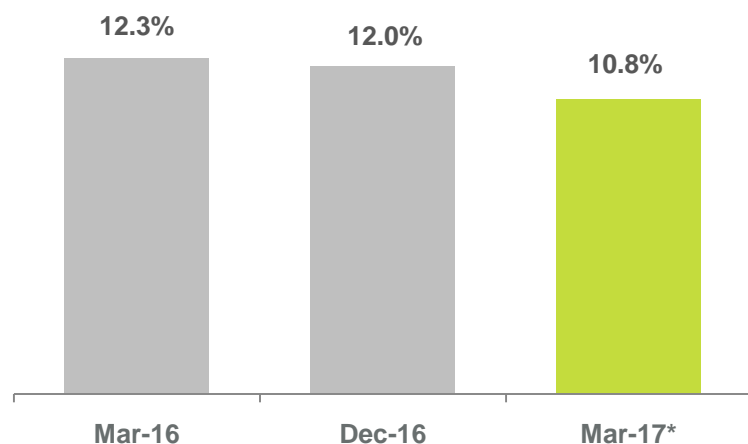
Results

3. **Summary**

Appendix : Consolidated Balance Sheet and Income Statement

Estimated CET1 phased-in ratio of 10.8% in Mar-2017

CET1 phased-in ratio evolution



Capital Ratios (phased-in)

BIS III (CRD IV / CRR)

€ million	Mar-16	Dec-16	Mar-17*
Risk Weighted Assets (A)	36,282	33,627	33,512
Own Funds			
CET1 (B)	4,471	4,051	3,620
Tier1 (C)	4,471	4,051	3,620
Total (D)	4,471	4,051	3,675
CET1 phased-in Ratio (B/A)	12.3%	12.0%	10.8%
Tier1 Ratio (C/A)	12.3%	12.0%	10.8%
Solvency Ratio (D/A)	12.3%	12.0%	11.0%
CET1 fully implemented Ratio	10.7%	9.8%	9.6%

- Estimated CET1 phased-in ratio of 10.8% in Mar-17.
- Estimated CET1 fully implemented ratio of 9.6% in Mar-17.

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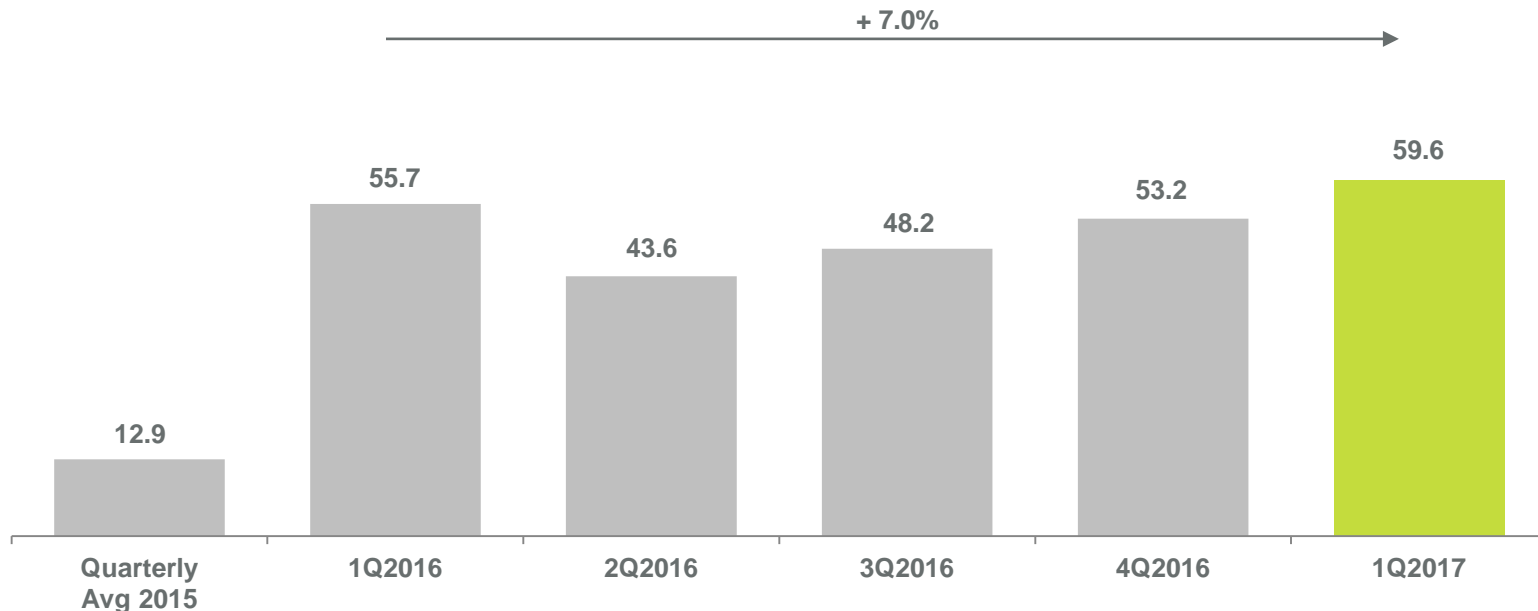
Results

3. **Summary**

Appendix : Consolidated Balance Sheet and Income Statement

Sustainable recovery in Core Operating Income* in the last quarters

Quarterly Evolution of Core Operating Income (Commercial Banking Income – Operating Costs, € million)

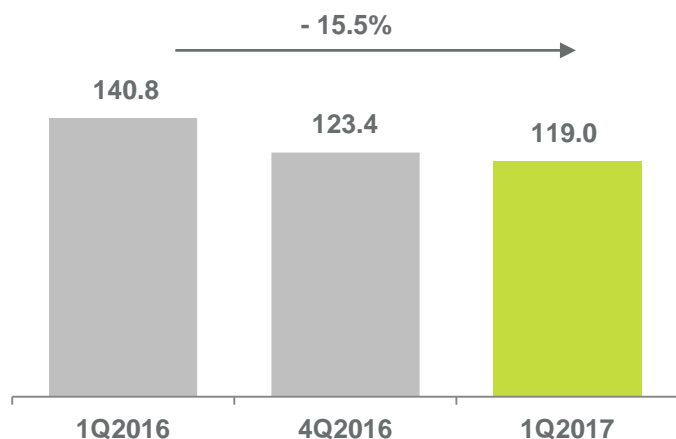
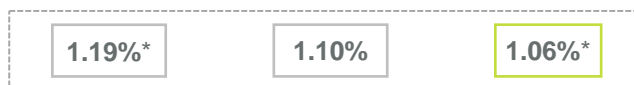


- Sustainable recovery in Core Operating Income* in the last quarters, based on the normalization of commercial banking income and on the operating costs' reduction.

Net Interest Income with a 15.5% decrease vs 1Q2016, but slightly below the 4Q2016. Fees and Commissions increase +8.2% YoY

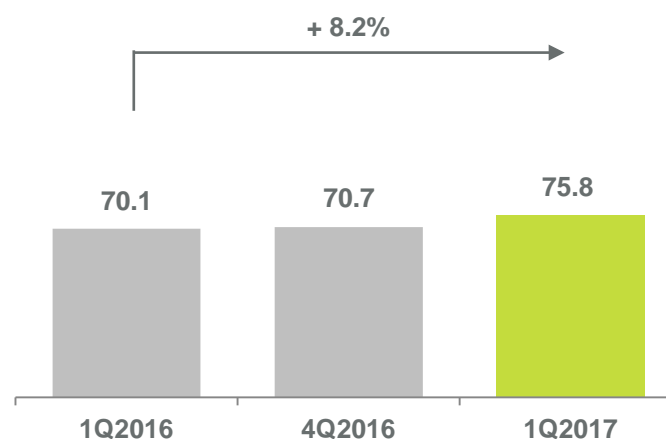
Net Interest Income (€ million)

Net Interest Margin, YTD



- NII dropped by 15.5% YoY, influenced by the positive impact of the reduction in the cost of liabilities (-24 bps, from 1.52% in Mar.16 to 1.28% in Mar.17), but still lower than the reduction in the interest rate on assets (-37 bps).

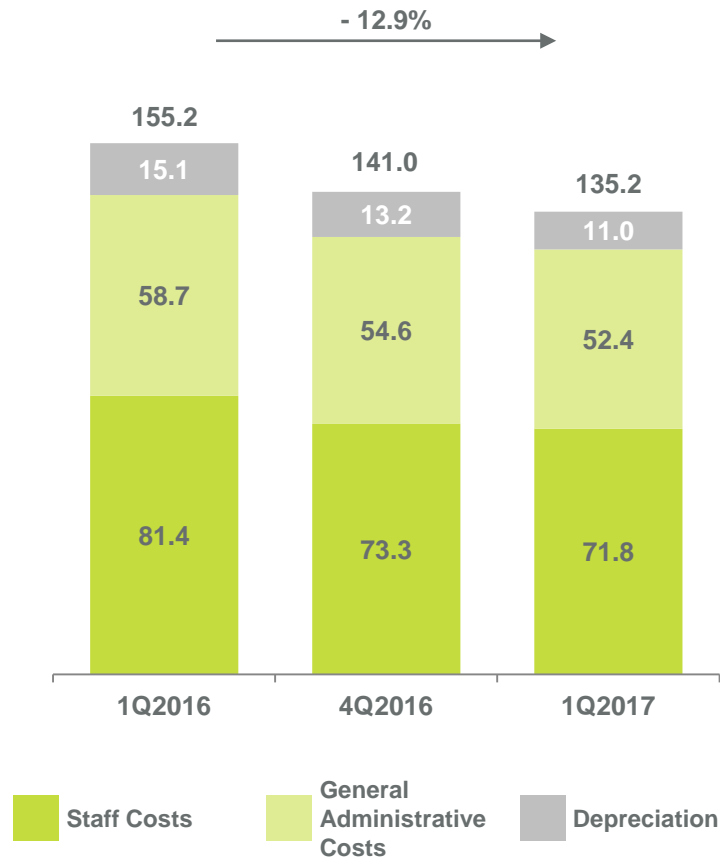
Fees and Commissions (€ million)



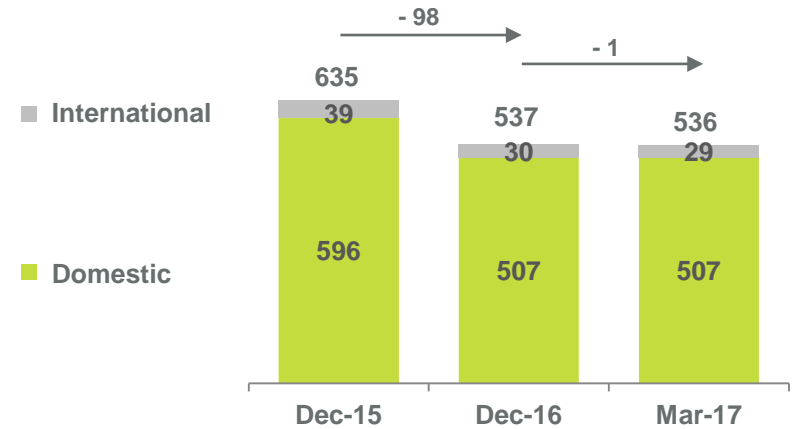
- Fees and Commissions increased 8.2% YoY, benefiting from the reduction in the fees paid related to the debt securities guaranteed by the Republic of Portugal (€2.0 million in 1Q2017 vs €8.6 million in 1Q2016).

Operating Costs decreased by 12.9% in the 1Q2017, reflecting the implementation of the restructuring measures

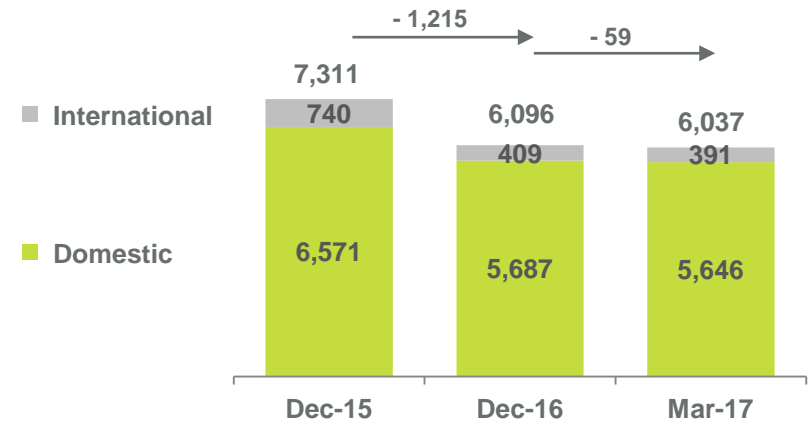
Operating Costs (€ million)



Branch Network

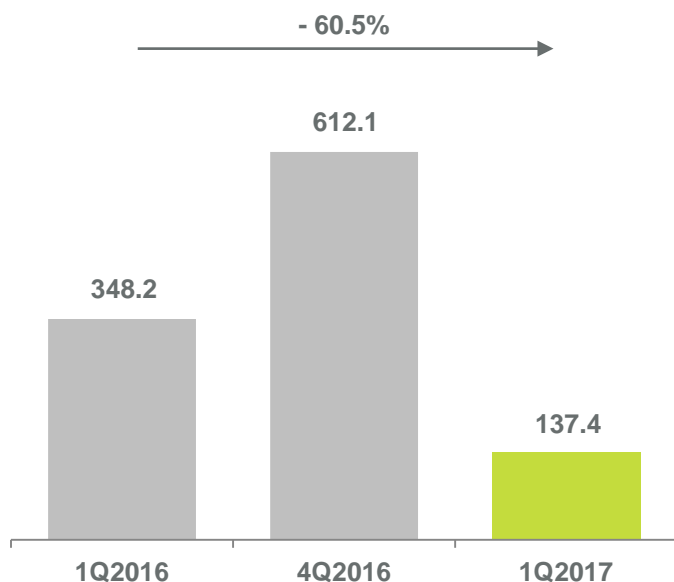


Employees



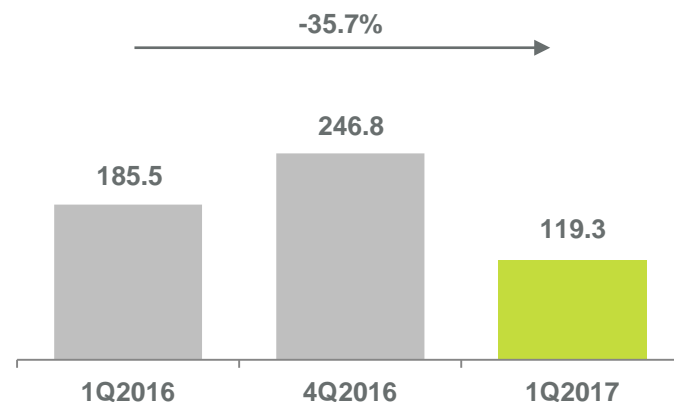
Provisions of €137.4 million in 1Q2017 (-€210.8 million vs 1Q2016), with cost of risk reduction to 143 bps

Total Provisions (€ million)



- 1Q2017 provisions of €137.4 million (-€210.8 million vs 1Q2016)
- Provision for the costs of the restructuring process (€109.6 million) in the 1Q2016

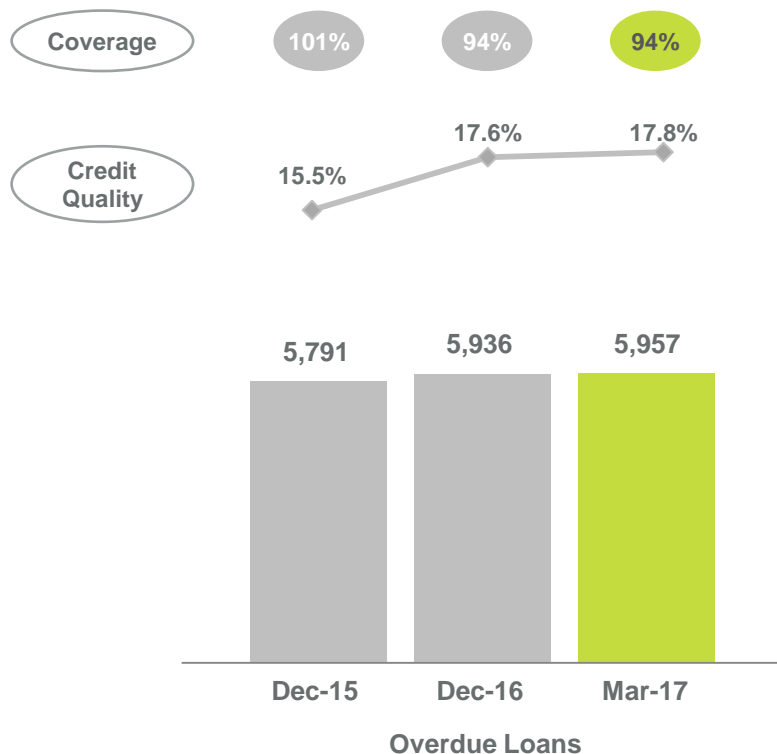
Credit Provisions (€ million)



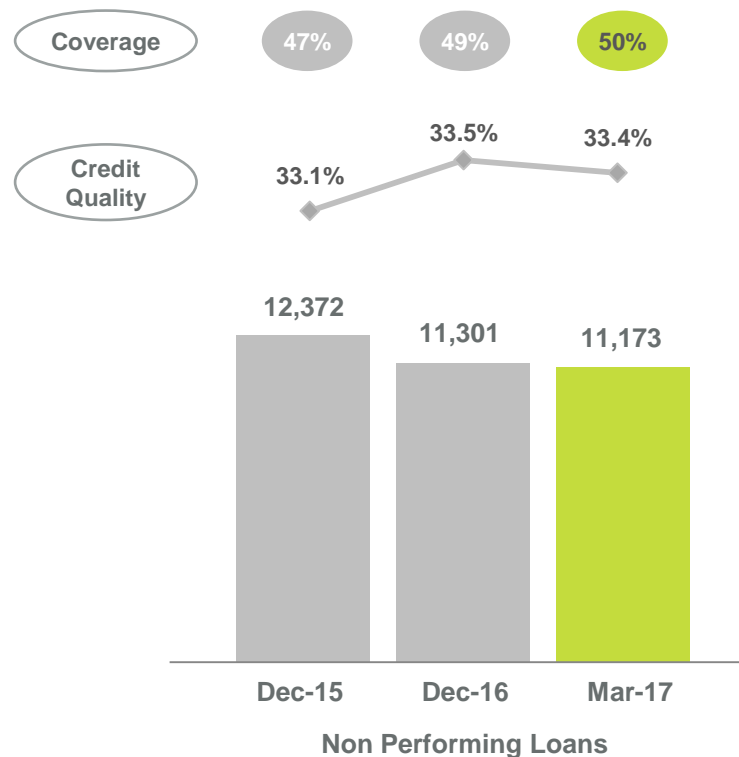
- Credit provisions with a 35.7% YoY reduction.
- Cost of risk of 143 bps (vs 211 bps in the 1Q2016 and 199 bps in in 2016).

Credit Risk Indicators

Overdue Loans (€ million)



Non Performing Loans* (€ million)



- Decrease in Non Performing Loans stock of €128 million, with a 10 bps reduction in the Credit Quality ratio and an increase in coverage to 50%

Credit Risk Indicators

Credit Quality and Coverage



- Credit Risk ratio with a 10 bps decrease in the 1Q2017, with a €110 million reduction in the stock and an increase in the coverage to 66%.

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NOVO BANCO is a reference Bank in Portugal

NOVO BANCO's Profile

Strong Business Model

- **NOVO BANCO is a reference institution in the Portuguese financial sector, with net assets of €11.1 billion (3rd largest bank in Portugal).**
- **Reference bank in Corporate segment**, 83% of Large Corporate and 79% of SMEs are clients of **NOVO BANCO**.
- One of the **leading banks in Retail and Private Banking in Portugal**, backed by a segmented commercial approach and by a multi-channel strategy. 491 thousand frequent digital clients (+7% YoY), with a strong adherence to the *mobile channel* (193 thousand frequent clients, +66% YoY).

Indicators

- **Net Loans of €27.9 billion in Mar-17.**
- **Deposits of €25.2 billion in Mar-17.**
- **Loan to Deposit ratio of 110% in Mar-17.**
- **Estimated capital ratios in Mar-17: CET1 phased-in of 10.8% and CET1 fully implemented of 9.6%.**

Awards in Several Areas

Best financial app

Apple Store
e Google Play

App	Apple Store	Google Play	Average
NOVO BANCO	4.4	4.5	4.5
Bank B	3.5	4.2	4.1
Bank C	2.9	4.1	4.1
Bank D	3.3	4.1	4.0
Bank E	3.5	3.5	3.5



Best Trade Finance Bank Award 2016



GLOBAL
FINANCE

Best Securities Services Provider Award 2016



GLOBAL
FINANCE

Best Trade Bank in Portugal 2016 Trade & Forfating Review



Best Performance Distributor, Portugal Structured Retail Products (Euromoney Group)

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Consolidated Balance Sheet

(€ million)	31 Dec. 16	31 Mar. 17
Cash and deposits with central banks	1,469	734
Deposits with banks	371	338
Financial assets held for trading	657	642
Financial assets at fair value through profit and loss	1,204	1,141
Available for sale financial assets	10,558	10,707
Loans and advances to banks	724	756
Loans and advances to customers	28,184	27,882
Derivatives held for risk management purposes	223	223
Non current assets held for sale	8	8
Non current assets held for sale: - discontinued operations	1,217	1,135
Investment properties	1,206	1,196
Other tangible assets	206	200
Intangible assets	45	42
Investments in associated companies	159	160
Current tax assets	31	31
Deferred tax assets	2,604	2,588
Technical reserves of reinsurance ceded	6	6
Other assets	3,460	3,333
Total Assets	52,333	51,124

(€ million)	31 dez. 16	31 Mar. 17
Deposits from central banks	6,410	6,610
Financial liabilities held for trading	633	613
Deposits from banks	3,578	2,999
Due to customers	25,990	25,577
Debt securities issued	3,818	3,632
Derivatives held for risk management purposes	108	113
Investment contracts	3,396	3,236
Non current liabilities held for sale	2	2
Non current liabilities held for sale: - discontinued operations	749	731
Provisions	365	348
Technical reserves	1,334	1,281
Current tax liabilities	17	17
Deferred tax liabilities	19	17
Other subordinated debt	48	49
Other liabilities	719	852
Total Liabilities	47,185	46,085
Share capital	4,900	4,900
Revaluation reserves, other reserves and retained earnings	955	199
Net income for the period	(788)	(131)
Non-controlling interests	81	81
Total Equity	5,148	5,049
Total Liabilities + Equity	52,333	51,124

Consolidated Income Statement

<i>(€ million)</i>	1Q2016	1Q2017
Net Interest Income	140.8	119.0
Dividend income	17.7	1.5
Fee and Commission income	92.9	93.9
Fee and Commission expense	(27.9)	(21.8)
Net gains / (losses) from financial assets at fair value through profit or loss	11.2	(24.3)
Net gains / (losses) from available-for-sale financial assets	15.9	17.1
Net gains / (losses) from foreign exchange revaluation	(9.7)	2.8
Net gains / (losses) from sale of other assets	(0.8)	(4.8)
Insurance earned premiums, net of reinsurance	11.1	11.5
Claims incurred, net of reinsurance	(63.4)	(75.4)
Change of the technical provision, net of reinsurance	48.8	60.7
Other operating income and expense	(32.6)	(33.8)
Operating Income	203.9	146.4
Staff costs	(81.4)	(71.8)
General and administrative costs	(58.7)	(52.4)
Depreciation and amortisation	(15.1)	(11.0)
Provisions and impairments	(348.2)	(137.4)
Sale of subsidiaries and associates	3.6	-
Results from associated companies consolidated by equity method	(0.0)	1.7
Income before taxes	(295.8)	(124.5)
Income tax		
Current	0.4	(2.1)
Deferred	49.5	(4.1)
Income from continuing activities	(245.9)	(130.7)
Income from discontinued activities	(10.4)	(0.5)
Net income for the period	(256.3)	(131.2)
Non-controlling interests	(7.0)	(0.3)
Net income attributable to the shareholders	(249.4)	(130.9)

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This document contains unaudited information for 2016.



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