

NOVO BANCO^L



Institutional Presentation

Unaudited financial information

November 2017

Agenda

1. Sale Process and Governance

2. General Overview and Business Model

3. 9M2017 Results

4. Summary

Appendix : Consolidated Balance Sheet and Income Statement

Main highlights of the sale process completed on 18 October 2017

**NEW
SHAREHOLDER
STRUCTURE**
(Share Capital:
€ 5,650 M)

 FUNDO DE RESOLUÇÃO

25%



 **LONE STAR**

through Nani Holdings SGPS, S.A.
75%

FINANCIAL STRENGTH

 LONE STAR	<p>€ 1,000 M of Capital Injection, of which € 750 M on 18 October that will be followed by a further € 250 M until the end of 2017</p>
<p>LME</p>	<p>Will allow the fulfilment of the objectives in terms of capital increase (Core Tier 1) and gross equivalent gains including interest savings in excess of € 500 M</p>
<p>CONTINGENT CAPITAL MECHANISM (CCM)</p>	<p>that ensures, for a period of 8 years, the capital injection necessary to achieve compliance with the mandatory CET1 ratio up to a maximum of € 3,890 M</p>
<p>DIVIDEND RETENTION</p>	<p>for a period of 8 years</p>
<p>TIER 2 ISSUE</p>	<p>Plan to raise € 400 M on the market issuing Tier 2 capital instrument (expected in 2018)</p>

Main highlights of the LME

The Tender Offers and Proposals

- **Cash Offer for 36 Senior Bond Issues of NOVO BANCO** acting through its branches in London and Luxembourg or its wholly-owned subsidiary NB Finance Ltd., with **Bond Maturities from 2019 to 2052, Nominal Value of € 8.3bn** and Book Value of € 3bn (Jun-17).
- **Proposals for Consent Solicitation** to approve the early redemption of each Series of Bonds.

Rationale for the Offers

- **The completion of a Liability Management Exercise** in respect of the senior bonds issued by **NOVO BANCO** and NB Finance **was a preceding condition of the closing of the sale process to LONE STAR**.
- LONE STAR and the Resolution Fund had agreed the Offers and the Proposals would satisfy the LME condition.

Dates

- **From 24 July** – Announcement of the Offers – to **2 October** – Expiration Deadline, with Settlement on **4 October**.

Minimum Participation Condition

- **Aggregate nominal amount** of the Bonds tendered and not validly withdrawn and in respect of which the Extraordinary Resolution has been passed should have been (in aggregate) equal to or be greater than **€ 6,276 M** (and include **at least € 1,000 M of Bonds issued by NOVO BANCO, London branch**).
- Considering the result of the LME, **NOVO BANCO** has decided to **waive** this Condition.

Fixed Term Deposits

- **Fixed-Term Deposits** (not forming part of the Offer and Proposals) **were available** during a certain period of time **to the Bondholders that accepted the Tender Offer or if the bonds were redeemed pursuant to the Issuer Early Redemption**. The maturity of the Fixed-Term Deposits (3 to 5 years) and the interest rate (1.00% to 6.84% per year) depended on each bond issue.

Completion

- The LME was completed on 4 October and resulted in **NOVO BANCO's** purchase and early redemption of **€ 4,743 M** (57%) of nominal amount of Senior Debt (€ 1,884 M issued by London Branch), for a total amount of **€ 1,988 M** (excluding interest and transaction costs).
- The transaction will allow the fulfilment of goals in terms of capital increase (CT1) and gross equivalent gains including interest savings **over € 500 M**.

Governance - Overview of governing bodies

GENERAL AND SUPERVISORY BOARD

CHAIRMAN
BYRON HAYNES

VICE-CHAIRMAN
KARL-GERHARD EICK

GENERAL AND SUPERVISORY
BOARD MEMBERS
DONALD QUINTIN
KAMBIZ NOURBAKHS
MARK COKER
BENJAMIN DICKGIESSER
JOHN HERBERT
ROBERT A. SHERMAN

EXECUTIVE BOARD OF DIRECTORS

CEO
ANTÓNIO RAMALHO

CCO
(CORPORATE)
VÍTOR FERNANDES

CFO
JORGE CARDOSO

CCO
(INDIVIDUALS)
ISABEL FERREIRA

LEGAL AND
COMPLIANCE
LUÍSA SOARES DA
SILVA

CHIEF RISK OFFICER
RUI FONTES

COO
JOSÉ EDUARDO
BETTENCOURT

Overview of the Executive Board of Directors

Executive Board of Directors



António Manuel Palma Ramalho, CEO

- CEO since Aug-16
- Former CEO of Infraestruturas de Portugal
- Former Vice CEO of Millennium BCP
- Former Chairman of Unice
- Former Board Member of Santander Totta
- Former Board Member of Grupo Champalimaud banks (BPSM, BTA and CPP)
- 26 years of banking experience



Jorge Freire Cardoso

- CFO
- Board Member since Sep-14
- Formerly with Caixa Geral de Depósitos where he was a Member of the Board and of the Executive Committee
- Formerly CEO of Caixa - Banco de Investimento
- 21 years of banking experience



Luísa Soares da Silva

- Chief Legal and Compliance Officer
- Before joining Novo Banco, Luísa Soares da Silva practiced financial, banking, insurance and capital markets law in Morais Leitão, Galvão Teles, Soares da Silva & Associados (MLGTS), since 2001 as a Partner
- 26 years of experience of financial, banking, insurance and capital markets practice law.



José Eduardo Bettencourt

- Chief Operating Officer
- Prior to joining the team of Novo Banco Mr. Bettencourt held the position of Director at Golden Assets
- Formerly held various management positions at Santander Group. He was also President of Sporting Club of Portugal
- 21 years of experience in the financial sector



Vítor Fernandes

- Chief Commercial Officer (Corporate)
- Board Member since Sep-14
- Former Member of the Board of Millennium BCP and Caixa Geral de Depósitos
- Previously CEO of Fidelidade Mundial and Império Bonança insurance companies
- 24 years of experience in the financial sector



Isabel Ferreira

- Chief Commercial Officer (Retail)
- Before joining Novo Banco's board team Mrs. Ferreira was CEO and Deputy Chairman of the Board of Directors of Banco Best
- Created and launched Banco BEST in 2001 and became its CEO. Chairman of the Board of Directors of Grupo Novo Banco IT company
- Diverse management positions held at companies such as IBM and Montepio Geral



Rui Fontes

- Chief Risk Officer
- Formerly Head of risk of Novo Banco and of Banco Espírito Santo and former Head of Risk Models
- 21 years of banking experience

Agenda

1. **Sale Process and Governance**

2. **General Overview and Business Model**

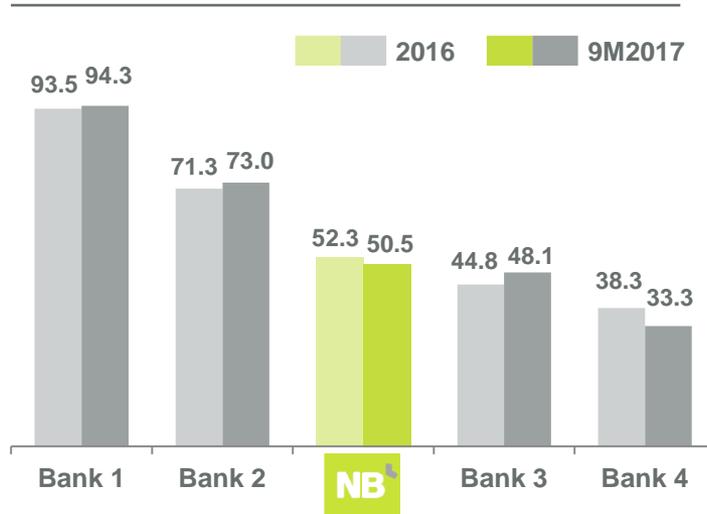
3. **9M2017 Results**

4. **Summary**

Appendix : Consolidated Balance Sheet and Income Statement

NOVO BANCO was created in 4-Aug-14 and on 18-Oct-17 Lone Star bought of 75% of the share capital

Net Assets ¹ (Portuguese Banks, € billion)



■ **NOVO BANCO** is a reference institution in the Portuguese financial system, with over 1.3 million clients

Capital and shareholder structure



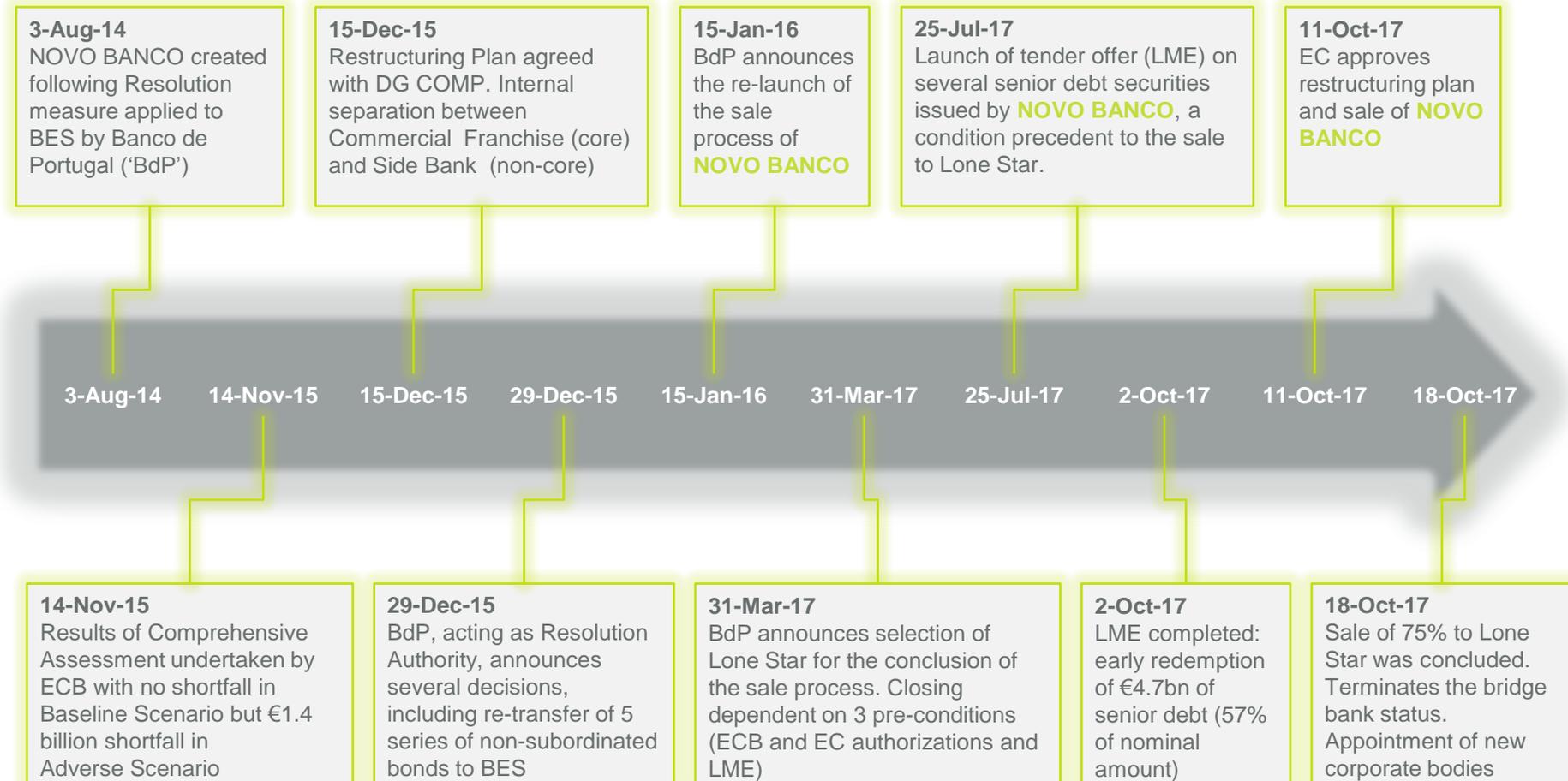
- Share capital of **NOVO BANCO** amounts to €5.65 billion and is 75% held by Lone Star and 25% held by the Resolution Fund.
- On 31 March 2017, BdP informed about the selection of Lone Star for the conclusion of the sale of **NOVO BANCO**. The closing of the sale operation was depending on obtaining the required regulatory authorizations (including by the ECB and the EC) and on the completion of a LME (announced on 24 July, completed on 2 October and with the settlement on the 4 October).
- On 10 July the EC announced that it had approved under the EU Merger Regulation the planned acquisition of **NOVO BANCO** by Lone Star Funds.
- On 11 October the EC approved under EU State aid rules the Portuguese aid for the sale of **NB**.
- On 18 October 2017 the sale of 75% of **NOVO BANCO** to Lone Star was completed and Lone Star injected €750 M in capital.

¹ Source: 3Q2017 Results Press Releases (CGD, Millennium bcp, Santander Totta and BPI).

² The stake held by Lone Star in NOVO BANCO is held through Nani Holdings, SGPS, SA.

³ 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



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 non-core assets

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**

III

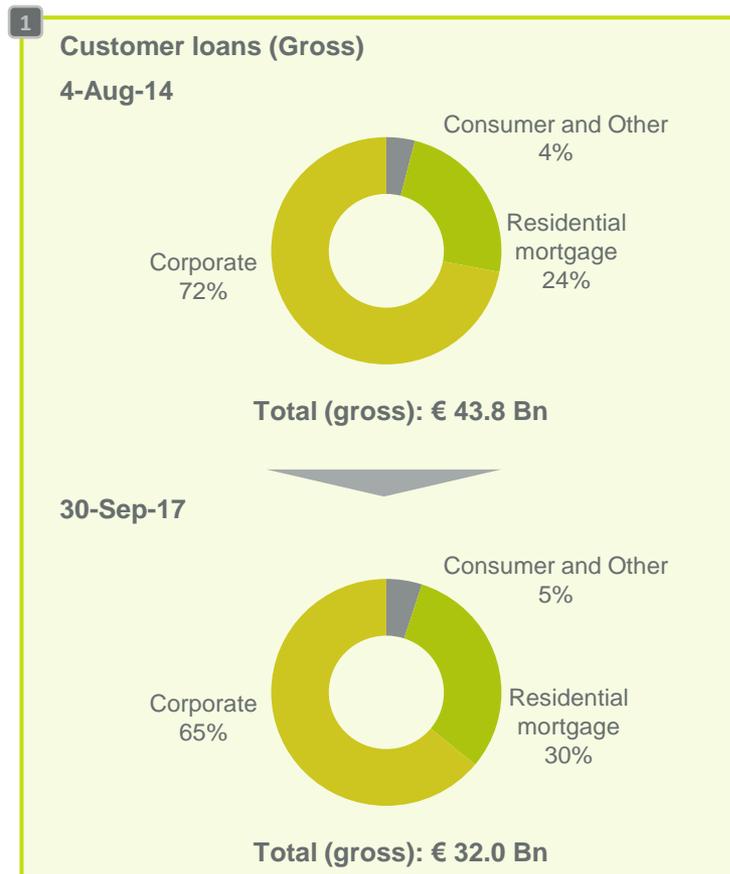
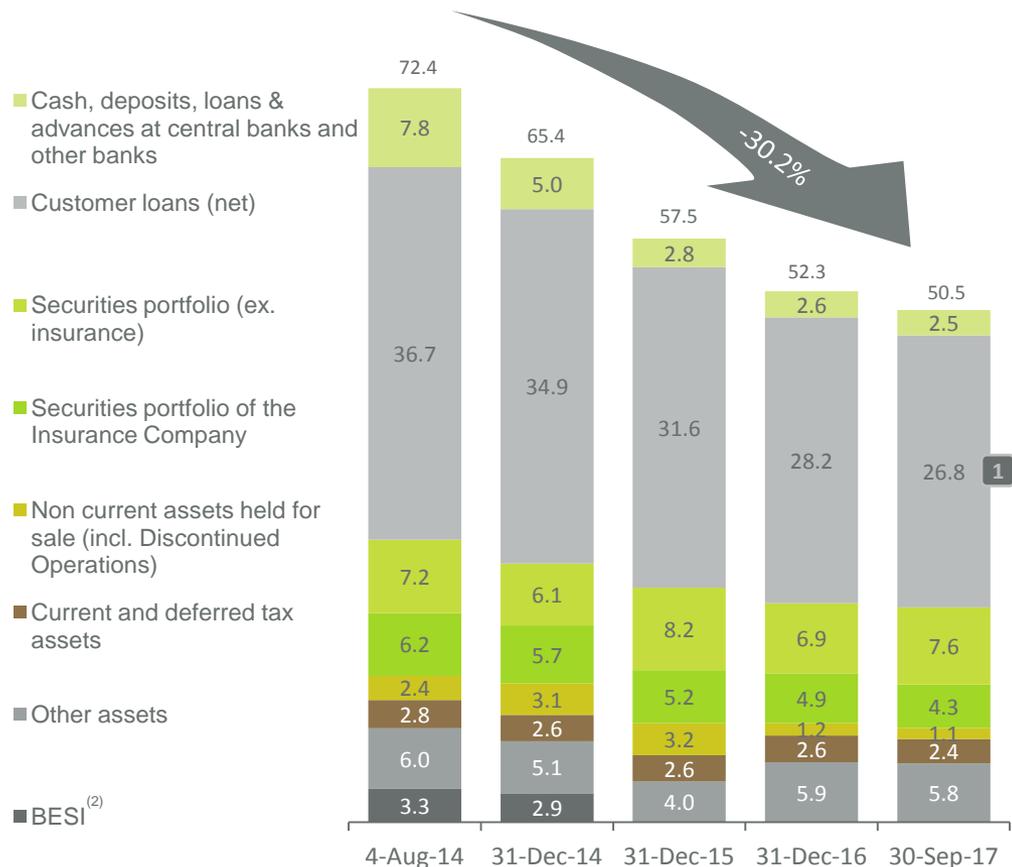
- **Focus on core business** with distinctive value proposition
- **Normalise funding costs**
- **Reduce operating costs** by simplifying the group structure and reducing footprint
- **Increase productivity** leveraging on digitalisation
- **Reduce cost of risk** and impairment charges by reviewing risk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

IV

- **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**
- **Non Performing Loans of €10.1 billion** as of Sep-17, down from €11.3 billion as of Dec-16

Complete balance sheet refocus in traditional commercial banking

Asset side of the balance sheet (Net assets, € Bn) ⁽¹⁾

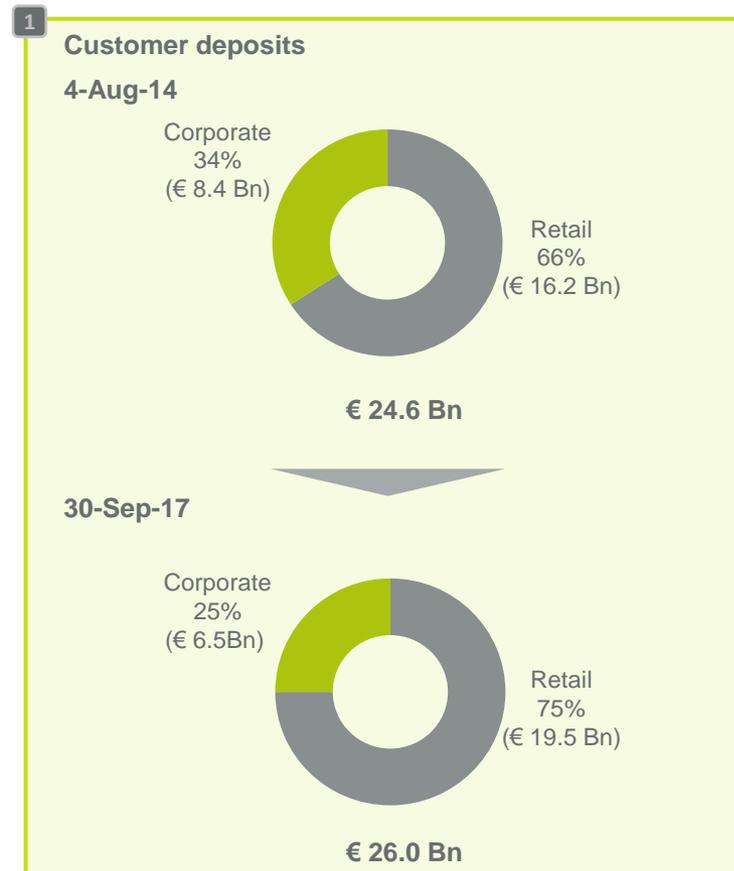
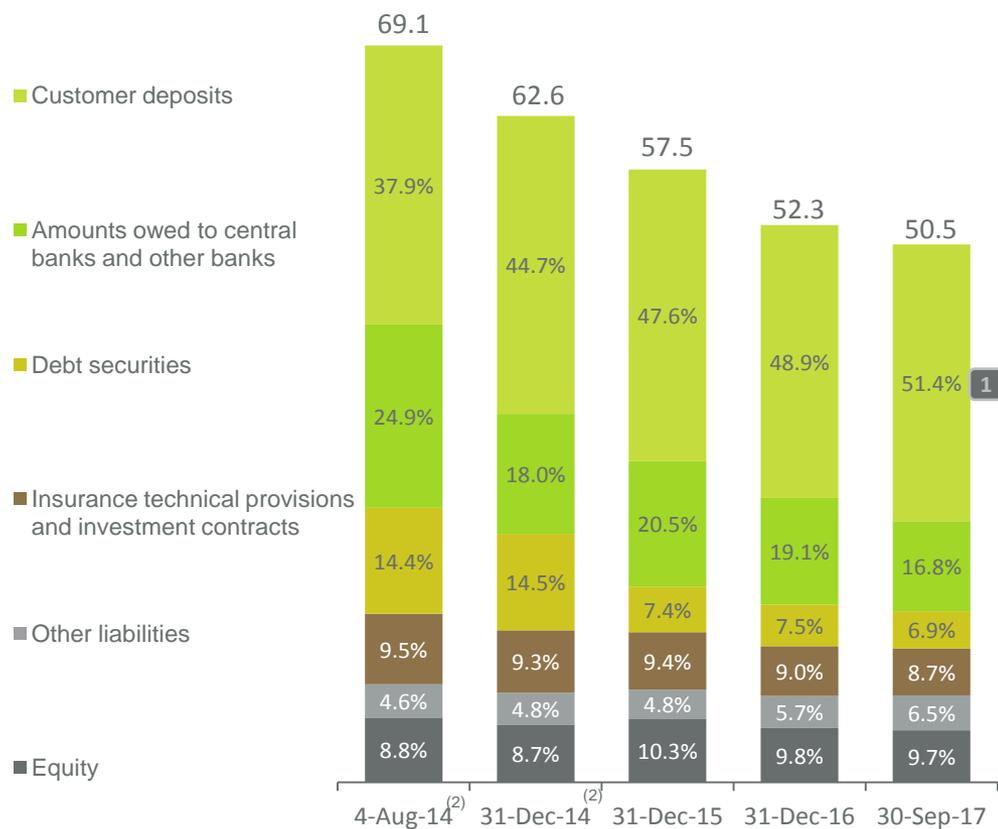


(1) Excluding BESI, net assets for Novo Banco would amount to € 69.1bn and € 62.6bn as of 4 August 2014 and 31 December 2014 respectively.

(2) Including consolidation adjustments; BESI on a standalone basis had total assets of € 5.1bn and € 4.4bn as of 4 August 2014 and 31 December 2014 respectively.

Accelerated deleveraging and funding mix improvement

Funding side of the balance sheet (€ Bn) ⁽¹⁾



(1) Excluding BEIS in 4 August 2014 and 31 December 2014.
 (2) Customer Deposits includes Deposits and Other Customer Funds.

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

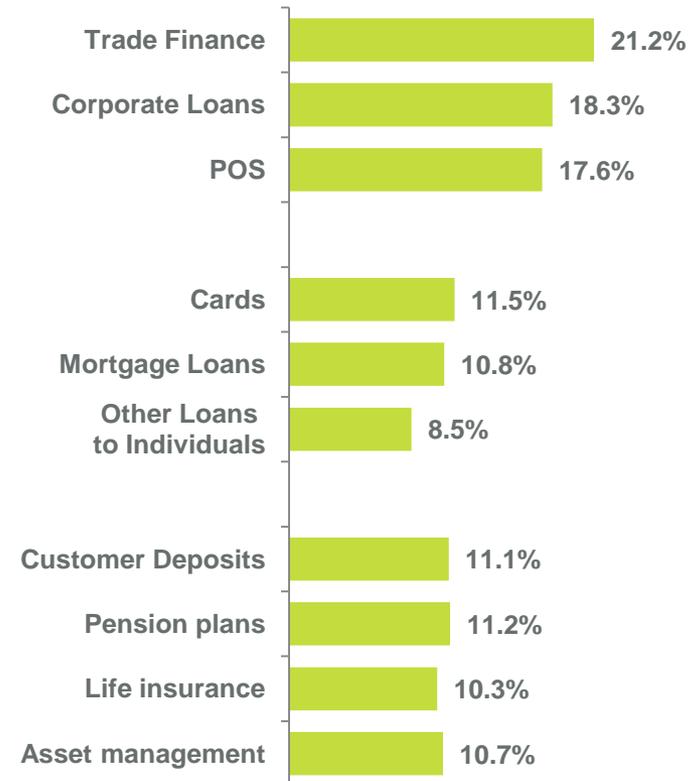
Business Segments



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

Market Share in selected Business Lines ¹

Aug-17



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

Business Segments

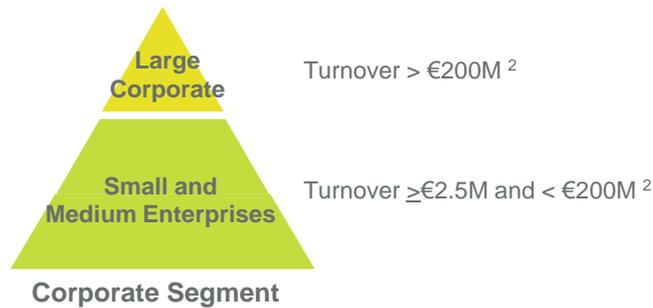


Corporate Banking

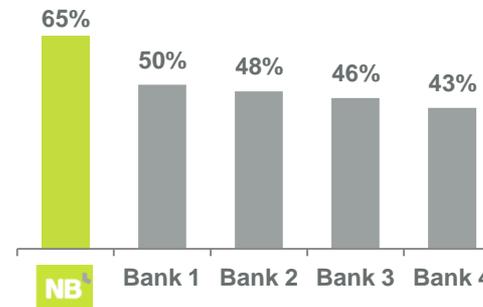


- **NOVO BANCO** has a market share of 18.3% in Corporate Loans and 21.2% in Trade Finance.
- **1 Department for large corporate and 21 corporate centres for SMEs** (including 1 centre in NB Açores), widespread throughout Portugal. Commitment to be a **reference partner for the corporate** clients daily 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).

Sub-Segmentation (Corporate)



Weight of Corporate Credit in Overall portfolio¹ (Portuguese Banks)



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

¹ NB data as of Sep-17. Other banks last available data Press Releases (CGD, Millennium bcp, Santander Totta and BPI).

² Criteria by Economic Group of corporate allocated to Corporate Departments.

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

Business Segments



Large client base with more than 1.3 million clients



Retail Banking



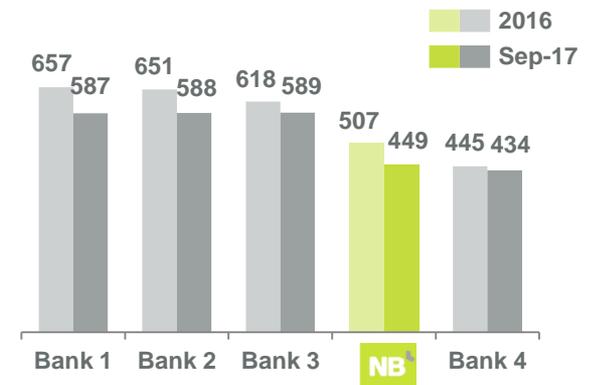
- NOVO BANCO has a market share of 10.8% and 8.5% in Residential Mortgages and Other Loans to Individuals, respectively.
- The Bank has a specialized, diversified and distinct product offer to meet its private individuals and small business clients' needs.
- In addition to the strong branch network, 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 targeting affluent customers.

Sub-Segmentation (Retail)



Sub-segmentation leads to a more focused commercial approach

Retail Branches in Portugal **



449 domestic branches (-58 in 2017) in line with the new business 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 Sep-17 of €10.7bn.

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. On 3 August NOVO BANCO launched an organized process to sell up to 100% of GNB Seguros Vida.
- 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 (Sep-17 net assets of €2.8bn) and additional platform to support Iberian clients.

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Highlights

Funding and Liquidity

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Highlights

Results

- **NOVO BANCO Group** reported a negative Income before tax of €355.6 million in the 9M2017, +34.7% comparing with 9M2016. However, the decision not to record additional deferred taxes led to a negative net income of €419.2 million in the first nine months of 2017, -8.9% than a year earlier.
- Positive Net operating income of €207.6 million, was slightly below the €217.7 million obtained in the same period in 2016. This result reflects, on the negative side, the decrease in net interest income due to the ongoing deleveraging (-26.9%), and on the positive side the increase in fees and commissions (+12%).
- Through its continuing restructuring process, the **Group** slashed operating costs by 12.4%.
- Provision charge of €563.2 million, roughly less circa €200 million than in the 9M2016. Impairments for NPLs were up by 3.8 pp, to 51.9%.

Income Statement (€ million)

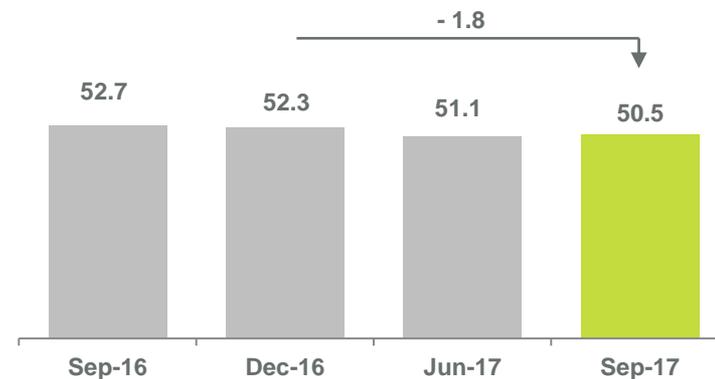
	9M2016*	9M2017	Change %
Net Interest Income	391.1	285.9	(26.9%)
+ Fees and Commissions	206.4	231.1	12.0%
= Commercial Banking Income	597.4	516.9	(13.5%)
+ Capital Markets and Other Results	70.3	84.9	20.8%
= Banking Income	667.7	601.9	(9.9%)
- Operating Costs	449.9	394.2	(12.4%)
= Net Operating Income	217.7	207.6	(4.6%)
(= Core Operating Income**)	147.5	122.7	(16.8%)
- Net Provisions	762.6	563.2	(26.1%)
= Income Before Taxes	(544.9)	(355.6)	34.7%
- Taxes and Non-controlling interest	(139.2)	63.6	-
= Net Income	(384.8)	(419.2)	(8.9%)

Highlights

Activity and Capital

- Gross Customer Loans of €32.0 billion were down by €2.1 billion in the 9M2017, with a special focus on NPLs (Non-Performing Loans), which contracted by €1.6 billion.
- Customer deposits of €26.0 billion, increased 5.3%, + €1.3 billion YoY. Total customer funds of €36.6 billion, growing by 1.6% YoY.
- **NOVO BANCO Group** ended the third quarter ^(p) with a CET1 ratio of 10.9% and a solvency ratio of 11.1% (9.7% and 10.1%, respectively, if fully implemented).

Assets (€ billion)



CET1 Ratios



p: provisional figures

Highlights

After balance sheet events

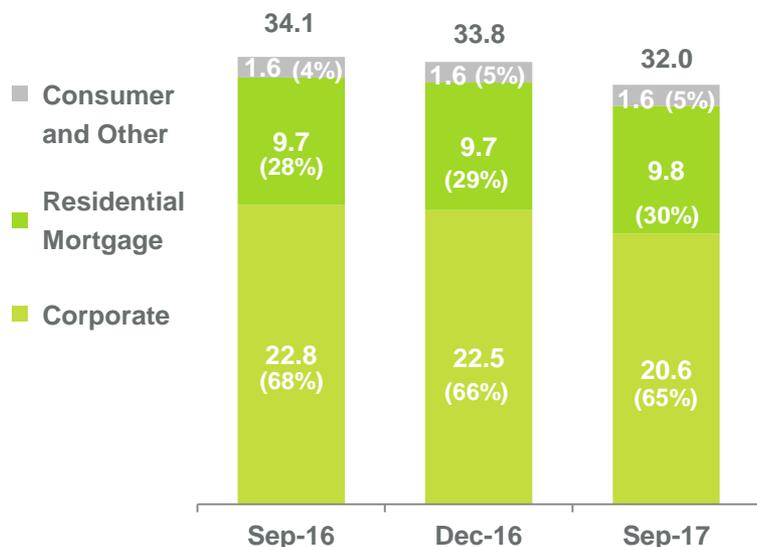
- The present accounts are the last reported by **NOVO BANCO** as a bridge bank. As of 18 October this status was withdrawn upon the successful completion of several capitalization transactions involving a major change in the shareholder structure.
- On 4 October, the Bank successfully undertook a Liability Management Exercise (LME) with no equity dilution, which permitted an estimated upfront capital increase of €217 million, and on 18 October made a €750 million capital increase subscribed by Nani Holdings (which will be reinforced by a further €250 million until the end of the year). These operations, whereby Nani Holdings currently holds 75% of the share capital and the Resolution Fund the remaining 25%, significantly strengthened the Bank's capital.
- Finally, following the General Meeting's approval on 18 October of an amendment to **NOVO BANCO's** Articles of Association, the Bank now has a General and Supervisory Board and an Executive Board of Directors..

Agenda

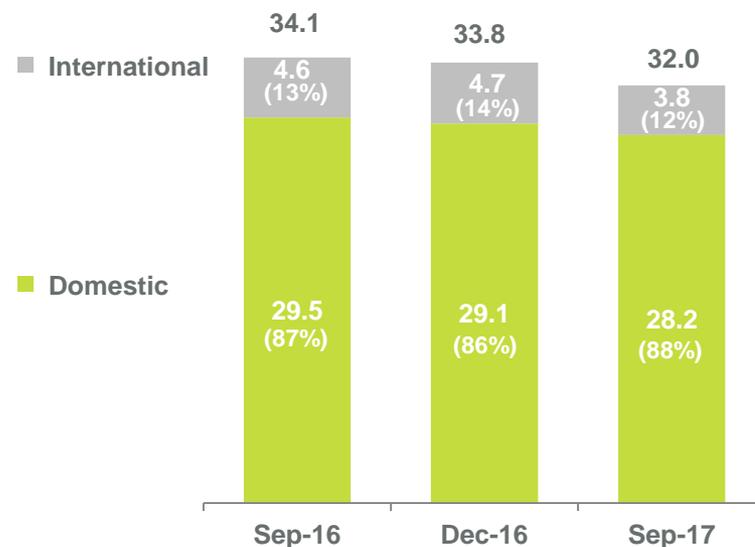
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Decrease of Customer Loans in line with the balance sheet deleveraging process

Loans per Segment (Gross, € billion)



Loans per Geography (Gross, € billion)

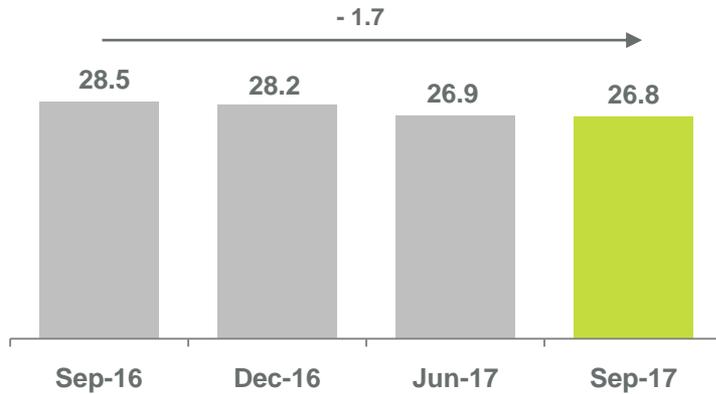


- Customer loans (gross) were down by €2.1 billion YoY in line with the deleveraging process still under way.
- Corporate loans represent 65% of total loan portfolio.

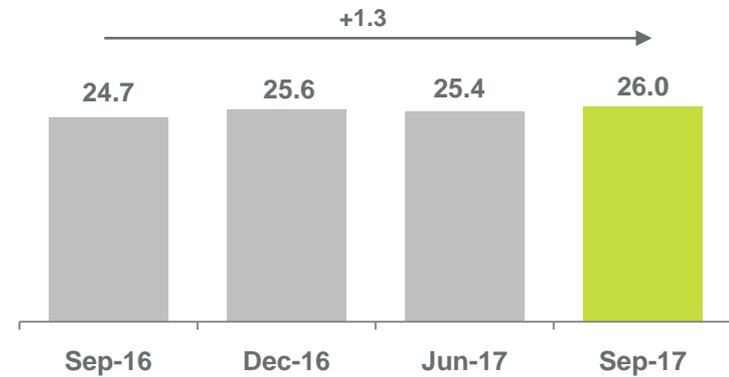
- Residential Mortgage Loans and Consumer Loans with strong growth in monthly average production (+78% up to Jul-17 and +71% up to Sep-17, compared with 2016 monthly average, respectively).

Customer Deposits increase by €1.3 billion YoY and positive evolution of the loan to deposit ratio to 103%

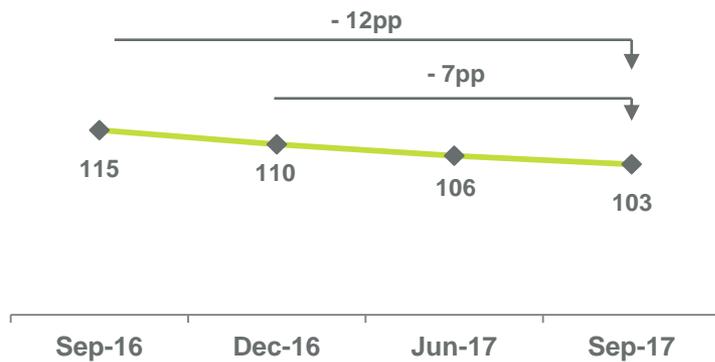
Net Loans (€ billion)



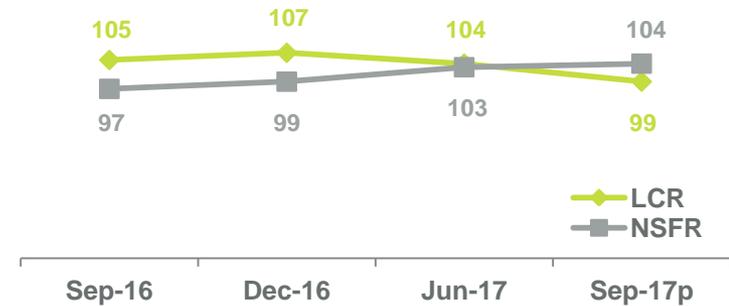
Customer Deposits (€ billion)



Loan to Deposit Ratio (%)

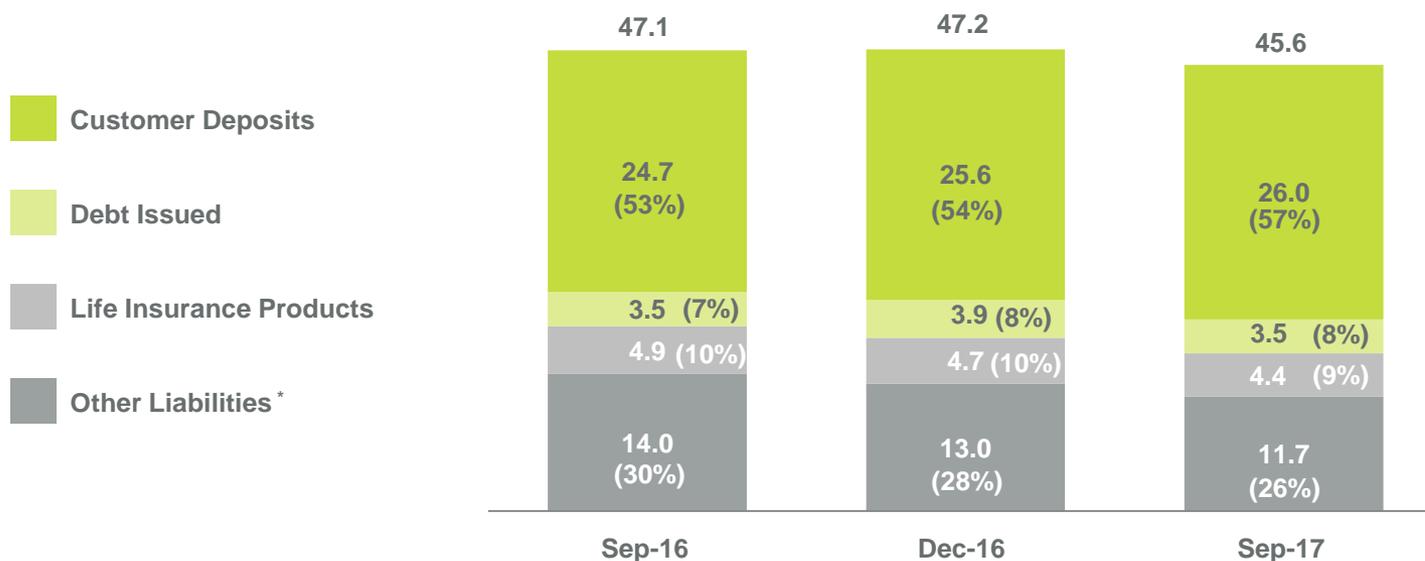


Liquidity Ratios (%)



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

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



- Customer deposits increase its weight as the main funding source (57% vs 53% in Sep-2016).
- In Feb-2017 matured the last bond issuance guaranteed by the Portuguese Republic of €1,500 million (initial amount of the 3 debt issues: €3,500 million already cancelled and/or reimbursed).
- On 25 July **NOVO BANCO** launched a tender offer on 36 senior debt securities series with the objective of strengthening its equity and concluding the sale process to Lone Star. The tender offer concluded on 2 October** and will allow the fulfillment of the objectives in terms of capital increase (Core Tier 1) and gross equivalent gains including interest savings in excess of € 500 M.

Decrease of net ESCB* funding in €0.6 billion in the 3Q2017 and increase of the amount of eligible assets portfolio

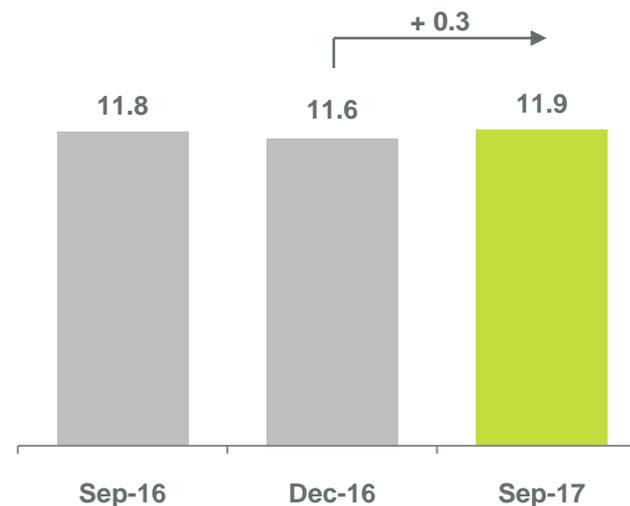
ESCB Funding (€ billion)

- Gross Central Banks Funding
- Net Central Banks Funding



- Net Funding with the ECB decreased by €0.6 billion in the 3Q2017 to €5.1 billion, €1.1 billion below Sep-16 figures.

Eligible Assets (net of haircut, € billion)



- Increase in the portfolio of assets available for rediscount with the ECB, net of haircut (+€0.3 billion in the first 9 months 2017).

Securities portfolio based in securities with lower risk and higher liquidity

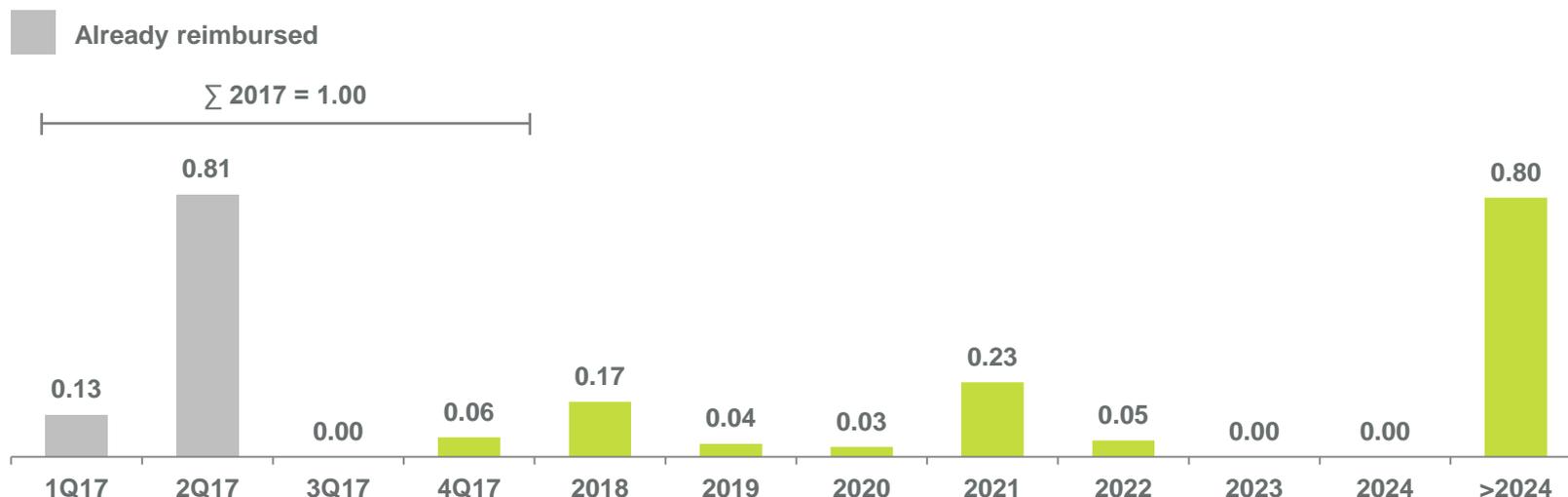
Evolution of Securities Portfolio (€ billion)



- Sovereign Bonds from Euro Zone countries account for 57% of total securities portfolio. Weight of Portuguese Sovereign Debt increased to 43% of total Securities Portfolio.
- Positive fair value reserve of €366 million (Dec-16: €151 million).

Planned wholesale MLT* funding reimbursements already considering the early repayments due to the LME.

Wholesale MLT* Funding (€ billion)



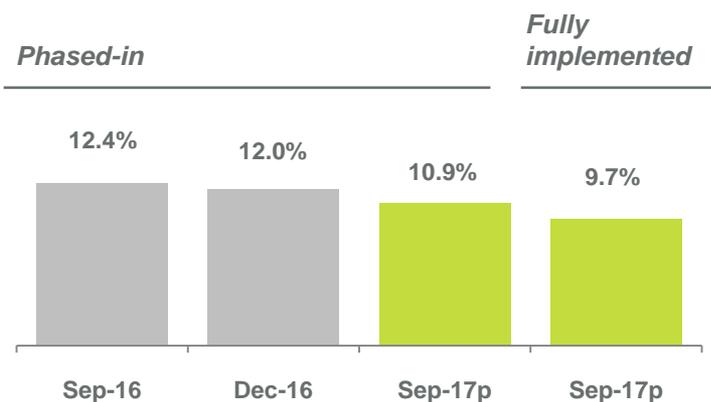
- €940 million of wholesale MLT funding were already reimbursed in the first 9 months of the year (i.e. 94% of the total reimbursements planned for the year of around €1.0 billion).
- All the debt guaranteed by the Portuguese Republic was cancelled (€1.7 billion in Nov. and Dec. 2016) or repaid (€1.8 billion in Jan. and Feb. 2017).
- **NOVO BANCO** carried out the purchase and early repayment of bonds in the aggregate nominal amount of €4,743 M, representing 57% of the nominal value of the bonds subject to the acquisition and early redemption of senior debt operation launched on 25-Jul and completed on 2-Oct**. The total amount disbursed amounted to €1,988 M.

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CET1 phased-in ratio of 10.9%^(p) in Sep-2017

CET1 phased-in ratio evolution



Capital Ratios (phased-in)

BIS III (CRD IV / CRR)

€ million	Sep-16	Dec-16	Sep-17 ^P
Risk Weighted Assets (A)	35,464	33,627	31,316
Own Funds			
CET1 (B)	4,413	4,051	3,422
Tier1 (C)	4,413	4,051	3,422
Total (D)	4,413	4,051	3,477
CET1 phased-in Ratio (B/A)	12.4%	12.0%	10.9%
Tier1 Ratio (C/A)	12.4%	12.0%	10.9%
Solvency Ratio (D/A)	12.4%	12.0%	11.1%
CET1 fully implemented Ratio	10.8%	9.8%	9.7%

- Estimated CET1 phased-in ratio of 10.9% in Sep-17.
- Estimated CET1 fully implemented ratio of 9.7% in Sep-17.

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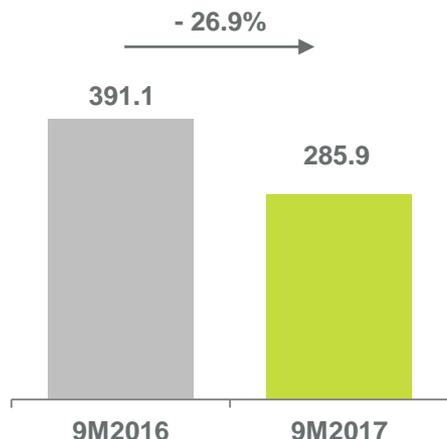
4. **Summary**

Appendix: Consolidated Balance Sheet and Income Statement

Net Interest Income with a 26.9% YoY decrease, reflecting the deleverage. Fees and Commissions, Cap. Markets and Other Results with positive evolution

Net Interest Income

(NII, € million)



Net Interest Margin*

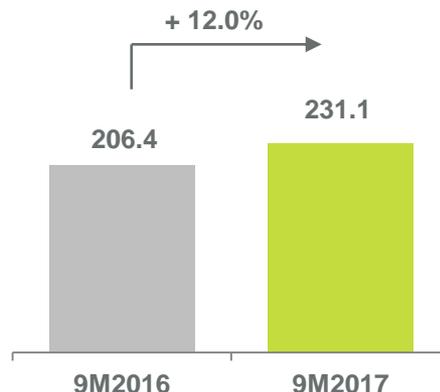
1.10%

0.86%

- NII contracted by 26.9% YoY, with the positive impact from a 13 bps reduction in the cost of liabilities (from 1.41% in Sep-16 to 1.28% in Sep-17) not sufficient to offset the reduction in the interest rate on assets (38bps).

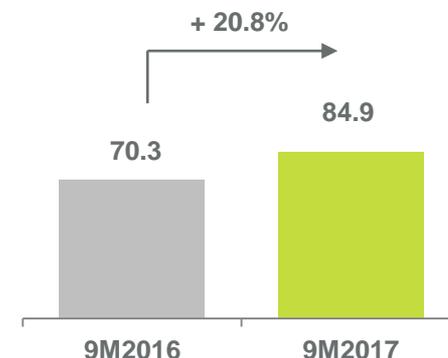
Fees and Commissions

(€ million)



- Fees and commissions increased 12.0% YoY, reflecting the reduction in the cost of bond issues guaranteed by the Republic of Portugal (€2.0 million in the 9M2017 vs €25.8 million in the 9M2016).

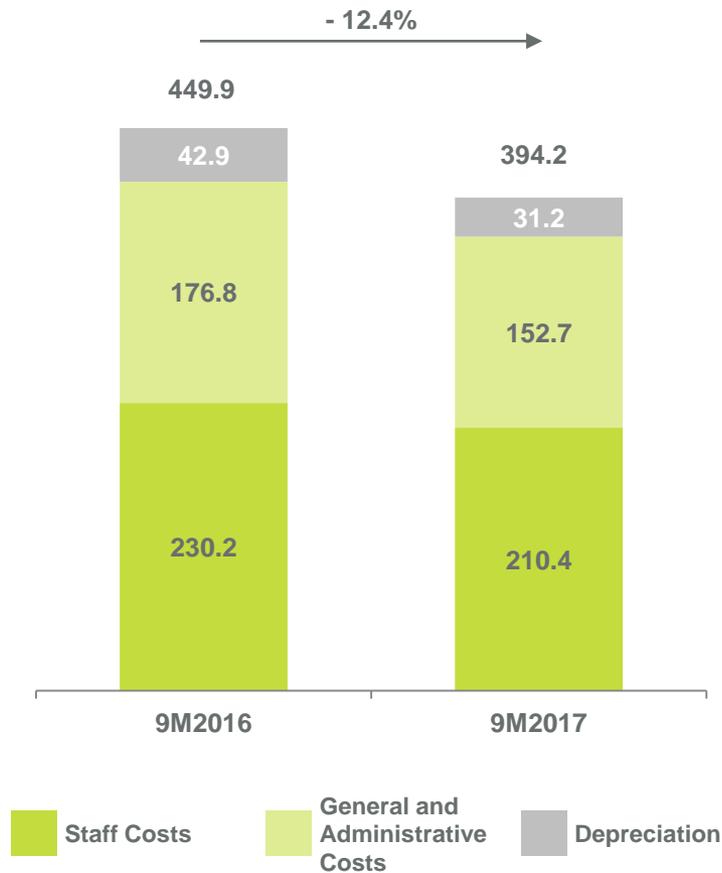
Capital Markets and Other Results (€ million)



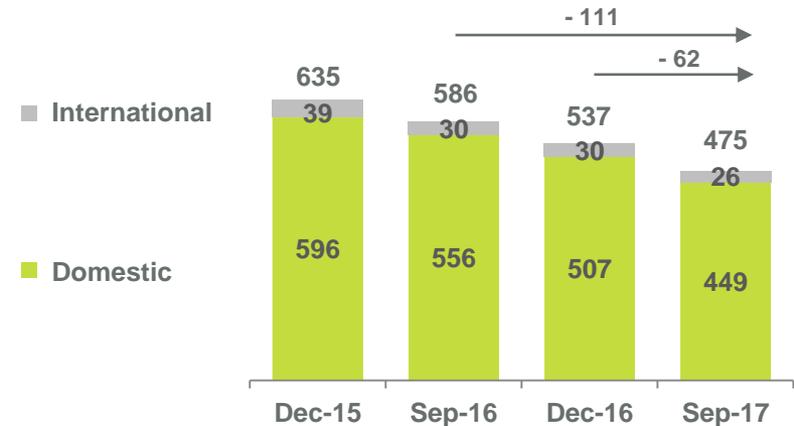
- Includes a capital gain of €103.1 million on the sale of a 75% stake in NB Ásia, sale of international loans (-€30.9 million) and contributions to the Single Resolution Fund and Portuguese Resolution Fund (-€27.5 million).

Operating Costs decreased by 12.4% YoY in the 9M2017, reflecting the implementation of the restructuring measures

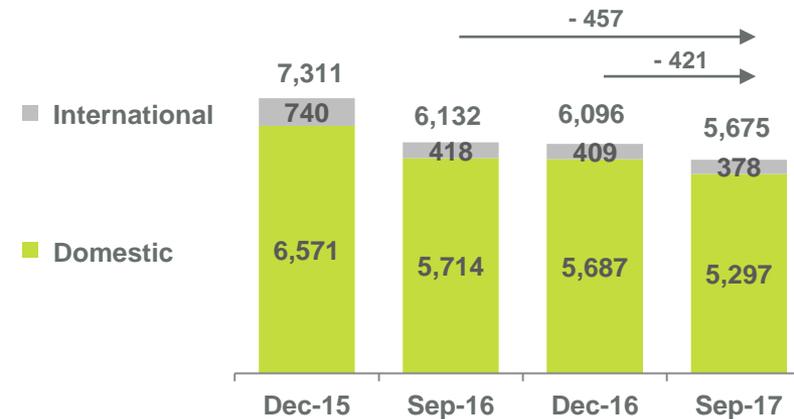
Operating Costs (€ million)



Branch Network



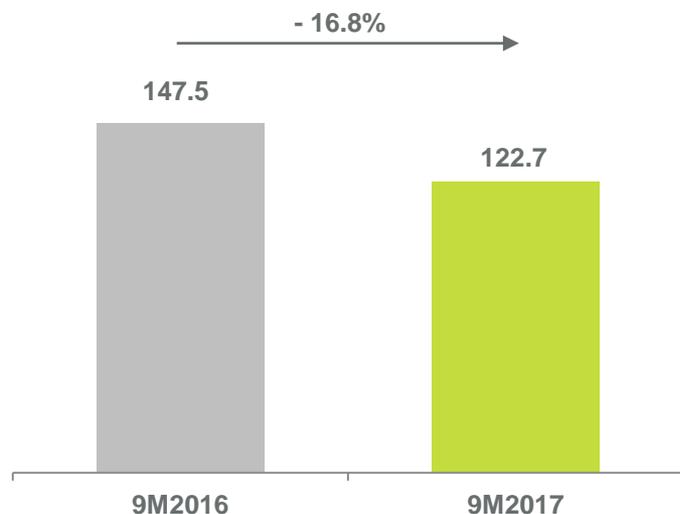
Employees



Positive Net Operating Income

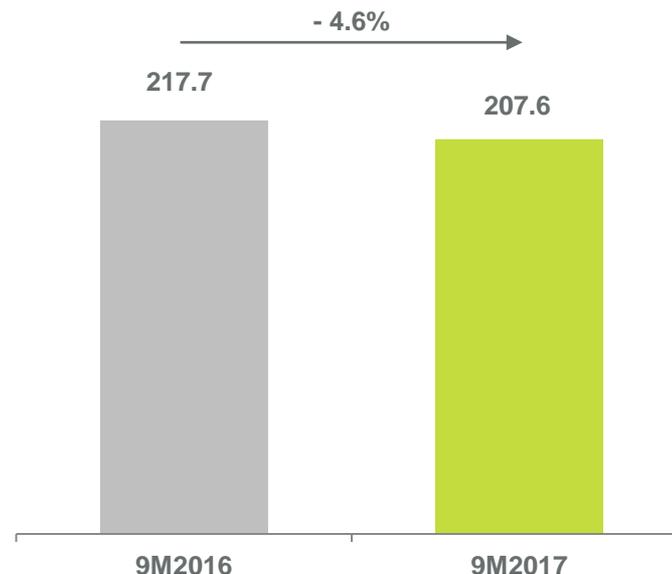
Core Operating Income

(Commercial Banking Income – Operating Costs, € million)



Net Operating Income

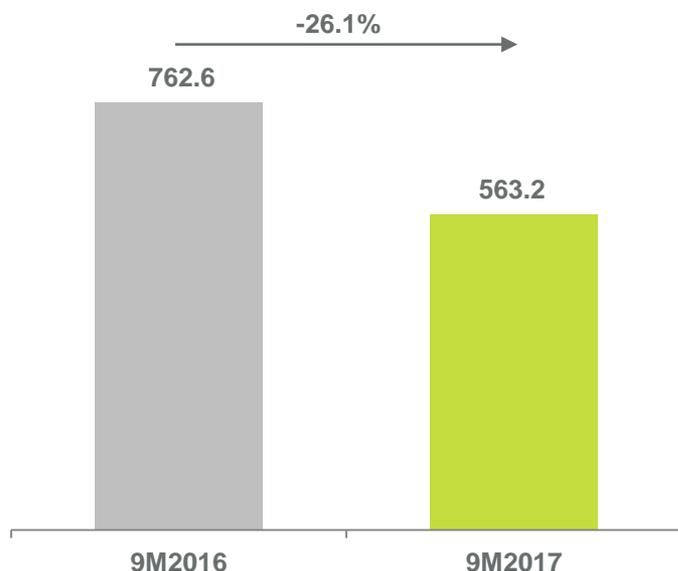
(Banking Income – Operating Costs, € million)



- The evolution of the Net operating income in the 9M2017 comparing with the same period in 2016, reflects on the negative side, the decrease in net interest income due to the ongoing deleverage (-26.9%), and on the positive side the increase in fees and commissions (+12%).

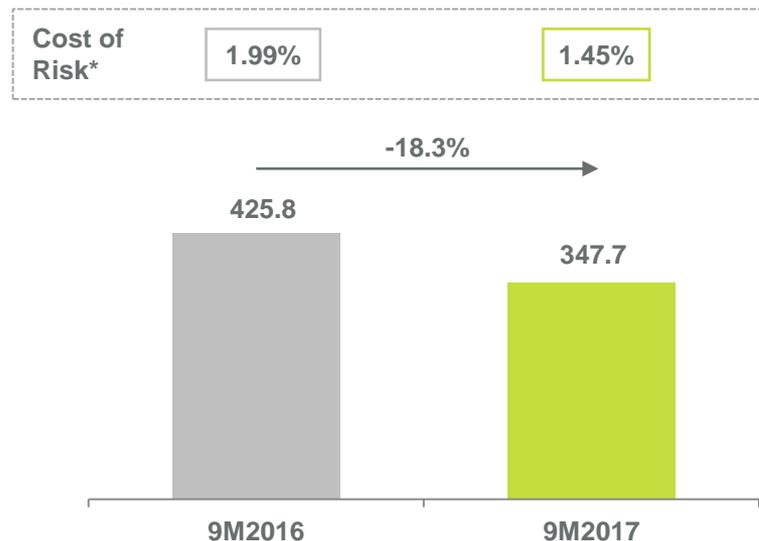
Provisions of €563.2 million in the 9M2017, €199.4 million lower than in the 9M2016 (-26.1% YoY)

Total Provisions (€ million)



- Provision charge of €563.2 million (-26.1%), including €85.9 million for securities, €42.5 million for activities being discontinued and €39.3 million (9M2016: €110.6 million) for restructuring.

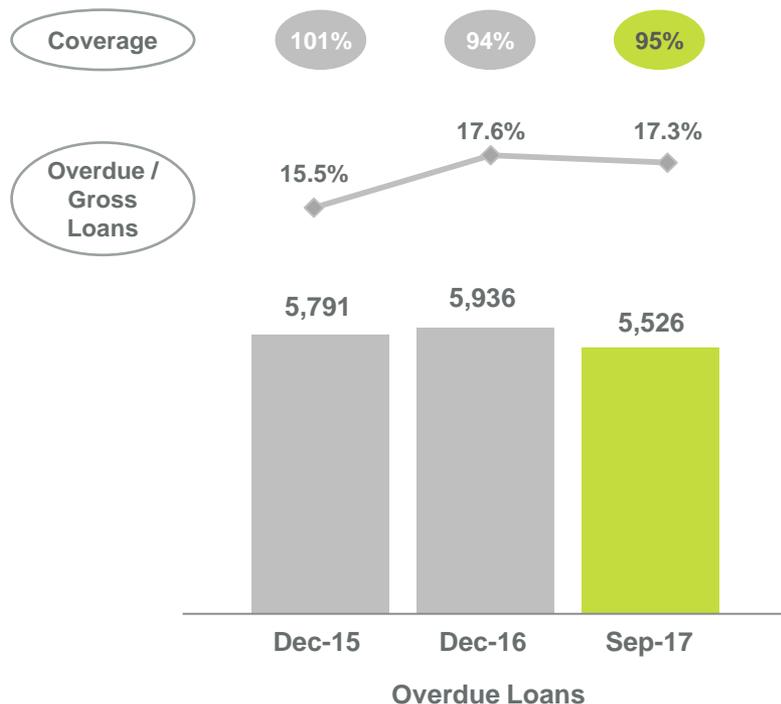
Credit Provisions (€ million)



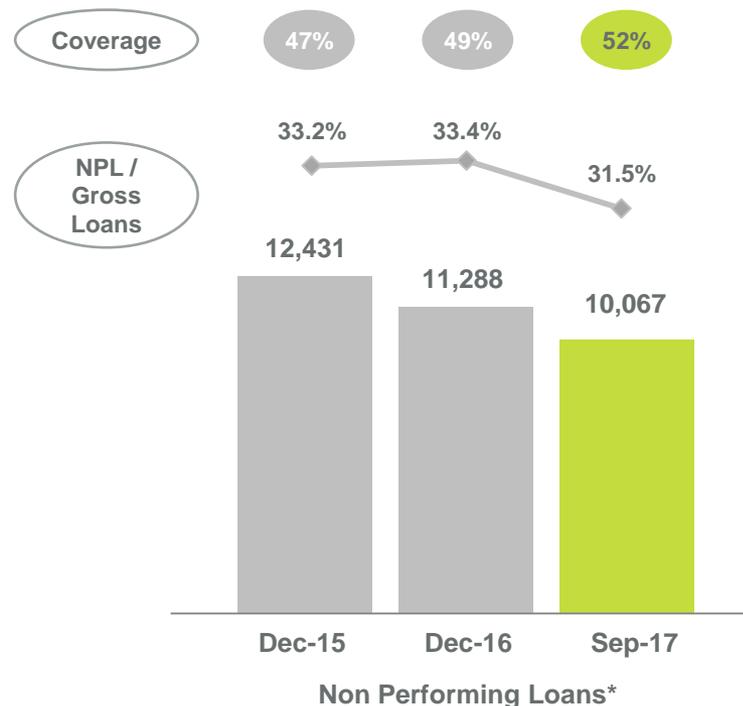
- Credit provision charge totaled €347.7 million (-18.3% YoY).
- Cost of risk of 145 bps (vs 166 bps in the 9M2016 and 199 bps in FY2016).

Credit Risk Indicators

Overdue Loans (€ million)



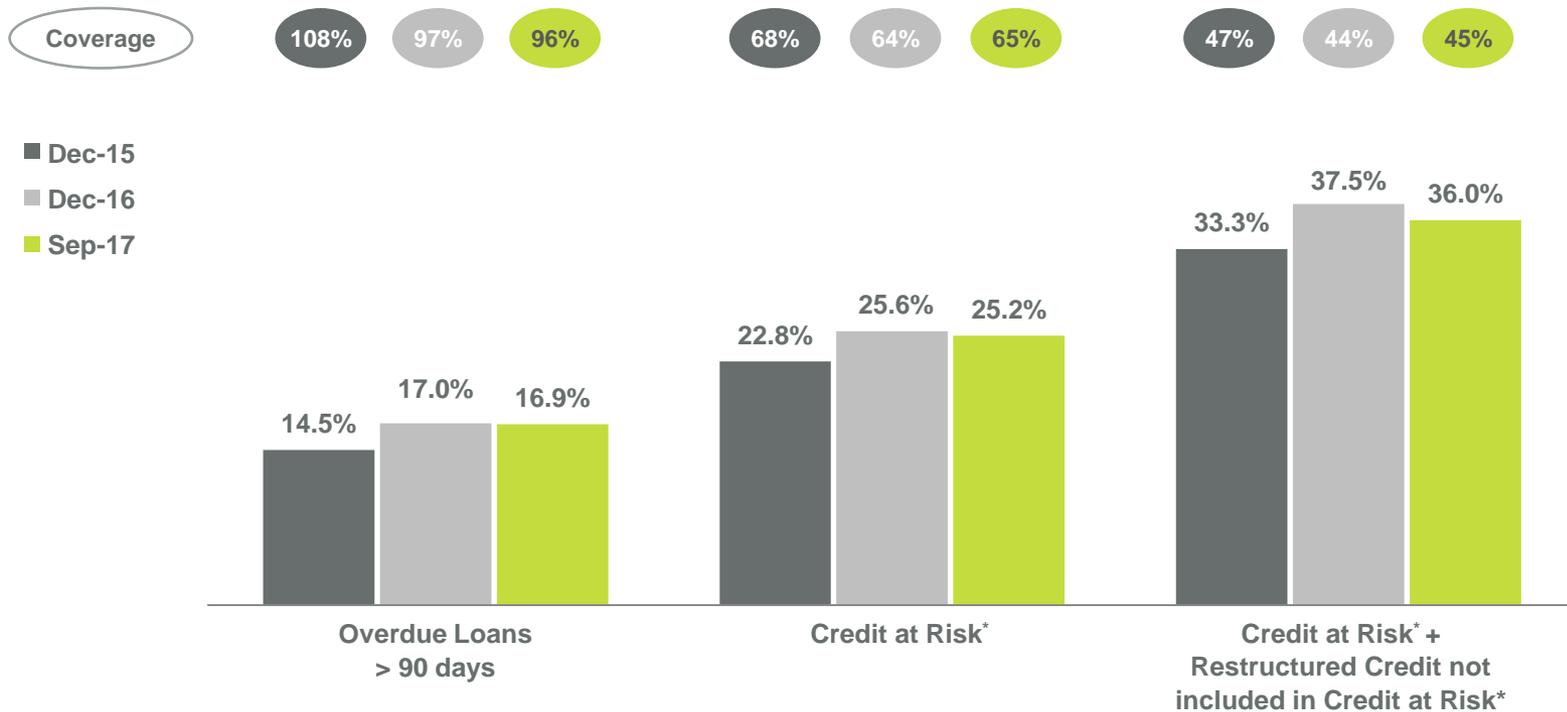
Non Performing Loans* (€ million)



- Non Performing Loans reduced materially by €1.2 billion to €10.1 billion in Sep-17 (€11.3 billion in Dec-16), with the Non Performing Loans ratio improving by 200 bps in the 9M2017 to 31.5%.
- The NPL coverage ratio is 52% (Dec-16: 49%)

Credit Risk Indicators

Credit Quality and Coverage



- Comparing with Dec-16 the Credit Risk Indicators ratios improved and maintained the coverage.

Agenda

1. **Sale Process and Governance**
2. **General Overview and Business Model**
3. **9M2017 Results**

4. **Summary**

Appendix : Consolidated Balance Sheet and Income Statement

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 €50.5 billion.
- **Reference bank in Corporate segment**, with 18.3% market share * in Corporate Loans and 21.2% in Trade Finance.
- One of the **leading banks in Retail in Portugal**, backed by a segmented commercial approach and by a multi-channel strategy. More than 500 thousand frequent digital clients (+7% YoY), with the number of frequent users of the NB Smart App surpassing the 229 thousand mark (+31% YTD).

Indicators

- **Net Customer Loans of €26.8 billion in Sep-17.**
- **Customer Deposits of €26.0 billion in Sep-17.**
- **Loan to Deposit ratio of 103% in Sep-17.**
- Provisional capital ratios in Sep-17: **CET1 phased-in of 10.9%** and **CET1 fully implemented 9.7%.**

Agenda

1. **Sale Process and Governance**
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Appendix : Consolidated Balance Sheet and Income Statement

Consolidated Balance Sheet

(€ million)

31 Dec. 16 30 Sep. 17

Cash and deposits with central banks	1,469	1,442
Deposits with banks	371	306
Financial assets held for trading	657	623
Other financial assets at fair value through profit or loss	1,204	1,105
Available for sale financial assets	10,558	10,788
Loans and advances to banks	724	721
Loans and advances to customers	28,184	26,780
Derivatives held for risk management purposes	223	195
Non current assets held for sale	8	10
Non current assets held for sale: - discontinued operations	1,217	1,074
Investment properties	1,206	1,263
Other tangible assets	206	174
Intangible assets	45	38
Investments in associated companies	159	158
Current tax assets	31	24
Deferred tax assets	2,604	2,405
Technical reserves of reinsurance ceded	6	7
Other assets	3,460	3,380
Total Assets	52,333	50,491

31 Dec. 16 30 Sep. 17

Deposits from central banks	6,410	6,410
Financial liabilities held for trading	633	546
Deposits from banks	3,578	2,066
Due to customers	25,990	26,499
Debt securities issued	3,818	3,483
Derivatives held for risk management purposes	108	119
Investment contracts	3,396	3,152
Non current liabilities held for sale	2	3
Non current liabilities held for sale: - discontinued operations	749	907
Provisions	365	336
Technical reserves	1,334	1,239
Current tax liabilities	17	20
Deferred tax liabilities	19	9
Other subordinated debt	48	50
Other liabilities	719	766
Total Liabilities	47,185	45,605
Share capital	4,900	4,900
Revaluation reserves, other reserves and retained earnings	955	326
Net income for the period	(788)	(419)
Non-controlling interests	81	80
Total Equity	5,148	4,886
Total Liabilities + Equity	52,333	50,491

Consolidated Income Statement

<i>(€ million)</i>	9M2016*	9M2017
Net Interest Income	391.1	285.9
Dividend income	35.1	11.3
Fee and Commission income	280.8	280.1
Fee and Commission expense	(85.2)	(57.1)
Net gains / (losses) from financial assets at fair value through profit or loss	(66.6)	23.4
Net gains / (losses) from available-for-sale financial assets	108.6	56.1
Net gains / (losses) from foreign exchange revaluation	(11.2)	(9.4)
Net gains / (losses) from sale of other assets	(16.5)	(29.4)
Insurance earned premiums, net of reinsurance	33.2	38.8
Claims incurred, net of reinsurance	(132.6)	(156.3)
Change of the technical provision, net of reinsurance	89.3	107.8
Other operating income and expense	(6.2)	(66.9)
Operating Income	619.8	484.3
Staff costs	(230.2)	(210.4)
General and administrative costs	(176.8)	(152.7)
Depreciation and amortisation	(42.9)	(31.2)
Provisions and impairments	(762.6)	(563.2)
Sale of subsidiaries and associates	3.6	3.8
Results from associated companies consolidated by equity method	6.4	6.3
Income before taxes	(582.7)	(463.0)
Income tax		
Current	(11.5)	(9.5)
Deferred	198.1	(24.1)
Income from continuing activities	(396.1)	(496.6)
Income from discontinued activities	0.9	76.6
Net income for the period	(395.2)	(420.0)
Non-controlling interests	(10.4)	(0.8)
Net income attributable to the shareholders of the Bank	(384.8)	(419.2)

Glossary (1/3)

Income Statement

Fees and Commissions	Fee and commission income less fee and commission expense
Commercial Banking Income	Net interest income and fees and commissions
Capital Markets Results	Dividend income, net gains / (losses) from financial assets and liabilities at fair value through profit or loss, net gains / (losses) from available-for-sale financial assets, net gains / (losses) from foreign exchange revaluation, and net gains / (losses) on the revaluation of liabilities
Other Operating Results	Other operating income and expenses, disposal of subsidiaries and associated companies, and income/loss of equity accounted associated companies
Banking Income	Net interest income, fees and commissions, capital markets results and other results
Operating Costs	Staff costs, general and administrative expenses and depreciation and amortisation
Net Operating Income	Banking Income - operating costs
Net Provisions	Provisions net of reversals, impairment losses on loans net of reversals and recoveries, impairment losses on other financial assets net of reversals and recoveries and impairment losses on other assets net of reversals and recoveries

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 nontradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Securities portfolio	Securities (bonds, shares and other variable-income securities) booked in the portfolios of financial assets held for trading, other financial assets at fair value through profit or loss and available-for-sale financial assets.
Due to customers Banco de Portugal Instruction n. 16/2004	Sums booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100]
Net ECB funding	Difference between the amount of funding obtained from the ECB and the amount of loans and advances to the ECB
On-balance sheet customer funds	Deposits, other customer funds, debt securities placed with clients and life insurance products
Retail customer funds	On-balance sheet funds of retail clients
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.
Total Customer Funds	On- and off- balance sheet customer funds.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit according with Instruction n. 22/2011 regarding the reporting of information on credit at risk) to customer deposits

Glossary (2/3)

Asset Quality and Coverage

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 and Doubtful Loans ratio Banco de Portugal Instruction n. 16/2004	Ratio of overdue and doubtful loans [overdue credit > 90 days and doubtful loans reclassified as overdue for provisioning reasons (according with Notice 3/95, nr. 4, nr. 1, a)] to total credit. Notice 3/05 was revoked.
Overdue and Doubtful Loans ratio, net Banco de Portugal Instruction n. 16/2004	Ratio of overdue and doubtful loans - [(provisions for credit overdue + provisions for doubtful loans) and/or accumulated credit impairments, pursuant to the definition given in Instruction no. 22/2011 on the reporting of information on credit at risk] and customer loans net of impairments.
Credit at risk ratio Banco de Portugal Instruction n. 16/2004	Ratio of credit at risk [credit with overdue instalments of principal or interest for a period of 90 days or more, restructured credit after being overdue for 90 days or more without adequate strengthening of collateral or full repayment of overdue interest and other charges, outstanding credit with overdue instalments of principal or interest for a period of less than 90 days, but for which there is evidence justifying its classification as credit a risk, namely bankruptcy or liquidation of the debtor] to gross customer loans.
Credit at risk ratio, net Banco de Portugal Instruction n. 16/2004	Ratio of credit at risk - [(provisions for credit overdue + provisions for doubtful loans) and/or accumulated credit impairments, according with the definition in Instruction no. 22/2011 on the reporting of information on credit at risk] and customer loans deducted of accumulated impairment.
Restructured credit ratio Banco de Portugal Instruction n. 32/2013	Ratio of restructured credit due to financial difficulties of the client to total credit
Restructured credit not included in credit at risk ratio Banco de Portugal Instruction n. 32/2013	Ratio of restructured credit not included in credit at risk 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
Credit at risk coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to credit at risk.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross loans.
Cost of Risk	Ratio of credit impairment charges accounted in the period to gross customer loans
Non-performing loans	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.

Glossary (3/3)

Efficiency and Profitability Ratios

Efficiency 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 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).
Cost to Income	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, fees and commissions, capital markets results and other results)
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.

Disclaimer

This document may include certain statements relating to the NOVO BANCO Group that are neither reported financial results nor other historical information. The statements, which may include targets, forecasts, projections, descriptions of anticipated cost savings, statements regarding the possible development or possible assumed future results of operations and any statement preceded by, followed by or that includes the words “believes”, “expects”, “aims”, “intends”, “may” or similar expressions or negatives thereof are or may constitute forward-looking statements.

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This document contains unaudited information for 9M2016 and 9M2017.



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