

NOVO BANCO^l

2015 Results Presentation

24 February 2016

Unaudited financial information

Agenda

1. Highlights

2. Funding and Liquidity

3. Asset Quality

4. Capital

5. Results

6. Priorities for 2016

7. Summary

Appendix: Balance Sheet and Income Statement

Highlights

Third largest Bank in Portugal - a benchmark in financing Portuguese corporate

Results	<ul style="list-style-type: none">▪ Net Operating Income was positive Eur 125.0mn showing the Group's capability of generating positive operating results before impairment and provision.▪ Operating Costs decreased by 12.7% to Eur 754.7mn on a comparable basis.▪ High level of provisions Eur 1,057.9mn, of which Eur 592mn in Real Estate and in the 50 largest exposures that existed at the date of the resolution of BES▪ Net Income in 2015 negative in Eur 980.6mn reflecting the high level of provisioning
Deleverage	<ul style="list-style-type: none">▪ Retail Deposits in Portugal increased by Eur 2.3bn.▪ The Loan to Deposit Ratio improved by 13bps in 2015 to 113% backed by the increase in deposits and the deleverage of the loan portfolio and sale of assets (securities and real estate).▪ Equity stakes sold or with sale agreed (Tertir, EMSA).
Capital	<ul style="list-style-type: none">▪ Estimated CET I phased-in ratio of 13.6% in Dec-15 (9.5% in Dec-14).
Group structure/ simplification	<ul style="list-style-type: none">▪ Completion of the sale of BES I.▪ The Branches in New York, Nassau and in Cape Verde were closed.▪ BES Finance was retransferred to BES.

Highlights

Results

- Net Operating Income was positive Eur 125.0mn showing the Group's capability of generating positive operating results.
- Commercial Banking Income of Eur 806.2mn with Net Interest Income posting an increasing contribution throughout 2015, although the negative impact of the annulment of overdue interest in the amount of Eur 172.0mn.
- Operating Costs amounted to Eur 754.7mn in 2015 showing a reduction of 12.7% vs the comparable figures in 2014.
- The high level of provisions of Eur 1,057.9mn was impacted by losses from assets transferred from BES. The reinforcement of provisions for the Real Estate portfolio and for the 50 largest exposures that existed at the date of the resolution of BES amounted to Eur 592mn.
- Net Income in 2015 negative in Eur 980.6mn reflecting the high level of provisioning mainly for Loans, Securities and Real Estate in the amount of Eur 1,054.4mn and the write-off of Eur 160mn of 2013 tax losses carried forward.

Income Statement (Eur mn)

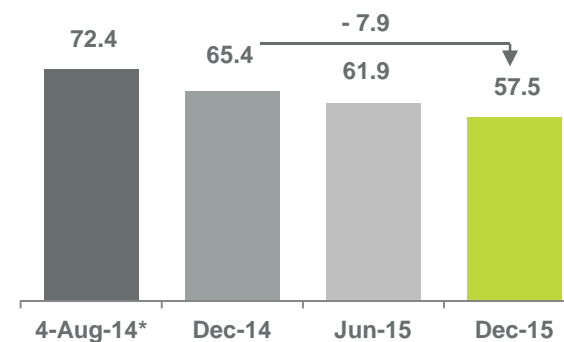
	4-Aug-14 to 31-Dec-14	2015
Net Interest Income	265.5	450.7
+ Fees and Commissions	178.2	355.6
= Commercial Banking Income	443.7	806.2
+ Capital Markets	411.4	117.9
+ Other Results	(71.8)	(44.5)
= Banking Income	783.3	879.6
- Operating Costs	355.4	754.7
= Net Operating Income	427.9	125.0
- Net Provisions	699.1	1,057.9
Credit	378.1	739.3
Securities	199.7	236.2
Other Assets and Contingencies	121.2	82.4
= Income Before Taxes	(271.2)	(933.0)
- Corporate Income Tax	215.5	31.0
- Special Tax on Banks	13.0	31.4
= Income After Taxes	(499.6)	(995.4)
- Non-controlling interest	(2.0)	(14.8)
= Net Income	(497.6)	(980.6)

Highlights

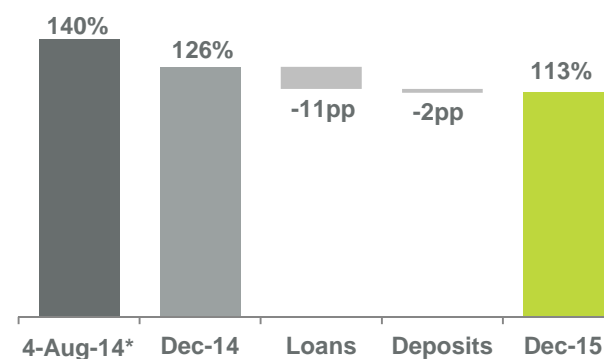
Activity and Capital

- Assets decreased by Eur 7.9bn (-12.1%), in line with the deleverage objectives for 2015. Main contributors: sale of BES I (-Eur 4.2bn), the sale of assets (securities and real estate) and the reduction of the loan portfolio (-Eur 3.3bn net of provisions).
- Retail Deposits in Portugal posted growth of Eur 2.3bn. In the year, total Deposits increased by 2.8% (+Eur 0.7bn).
- Liquidity improvement: the loan to deposit ratio decreased to 113% in Dec-15 (126% in Dec-14).
- Provisions / Gross Loans ratio increased to 15.6% (Dec-14: 12.8%).
- Estimated CET I phased-in ratio of 13.6% in Dec-15 (9.5% in Dec-14).

Assets (Eur bn)



Loan to Deposit Ratio



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1. **Highlights**

2. **Funding and Liquidity**

3. **Asset Quality**

4. **Capital**

5. **Results**

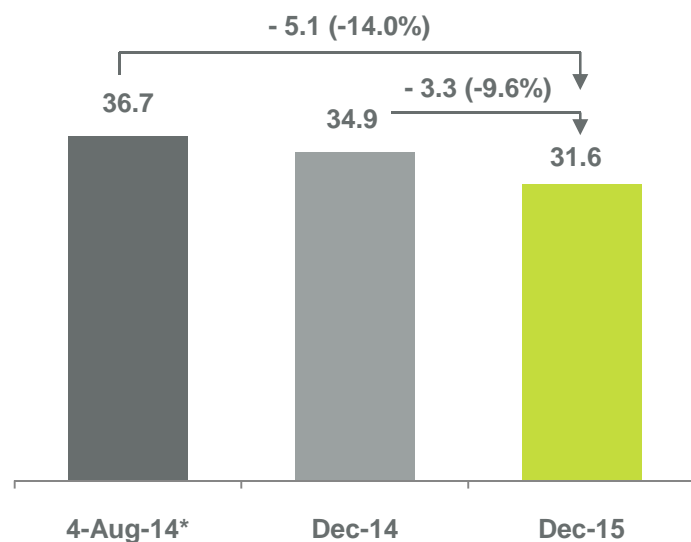
6. **Priorities for 2016**

7. **Summary**

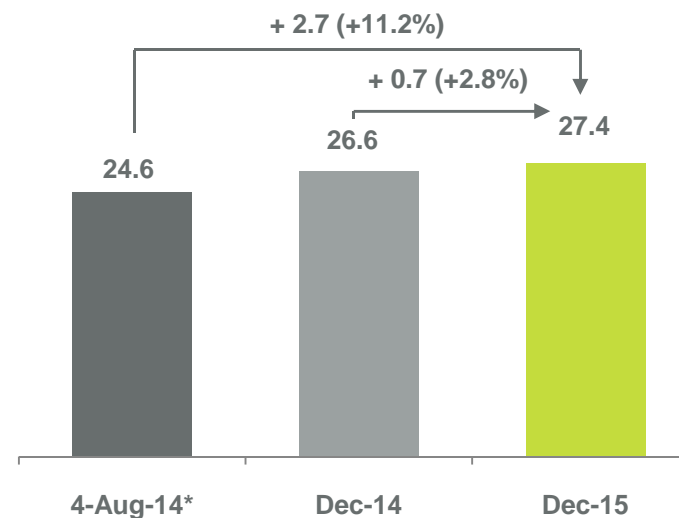
Appendix: Balance Sheet and Income Statement

Net Loans contracted while Deposits increased

Net Loans (Eur bn)



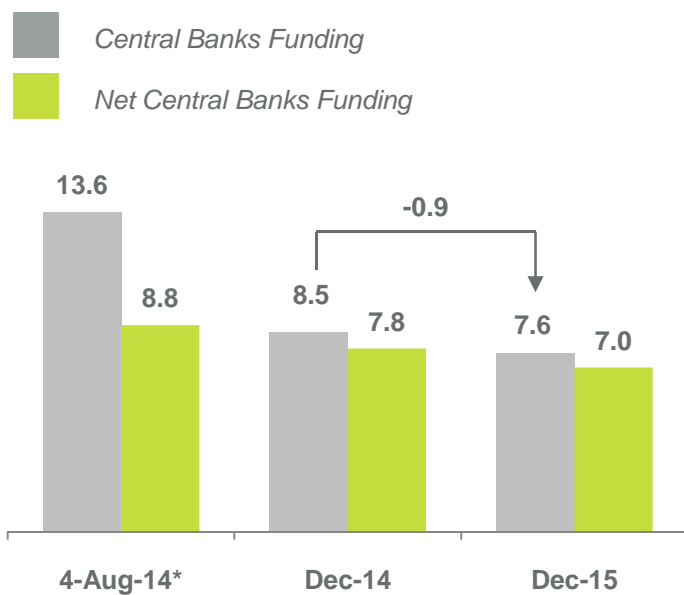
Deposits (Eur bn)



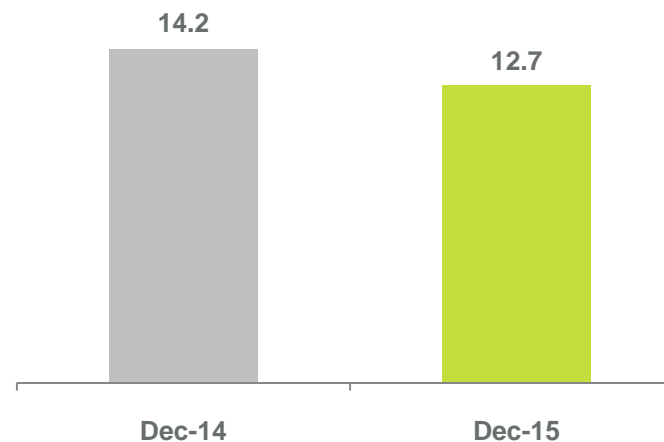
- In Portugal, it should be highlighted the growth in Deposits, both in Retail (+21.3% in the year) and in Private Banking (+17.5% in the year) and simultaneously the decrease of 71bps in the average deposit portfolio rate to 1.61% at the end of 2015.
- The growth in Deposits demonstrates the customer's confidence in **NOVO BANCO** and a return to normality.

Funding from the ESCB has decreased

Net Central Banks Funding (Eur bn)



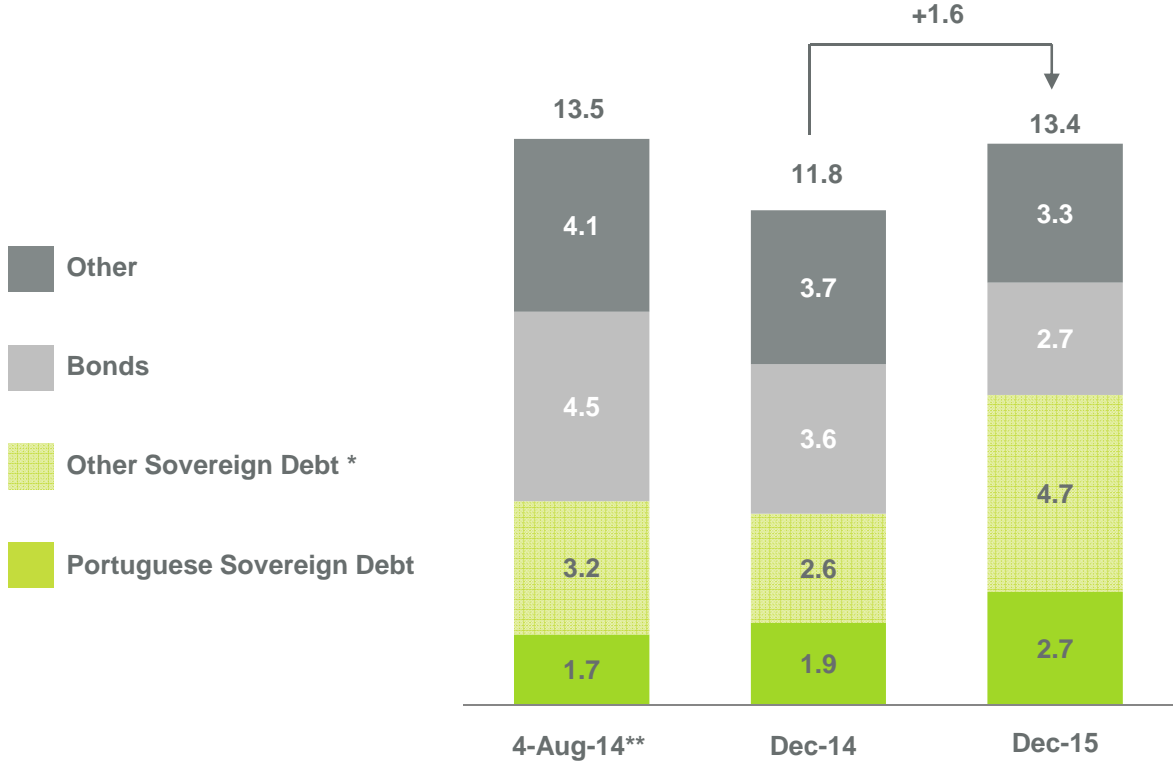
ECB Eligible Assets (Eur bn)



The resources from ESCB totalled Eur 7.6bn as at 31 December 2015, Eur 0.9bn below the figure as at the end of 2014.

Securities portfolio with larger weight of Sovereign Debt

Evolution of Securities Portfolio (Eur bn)

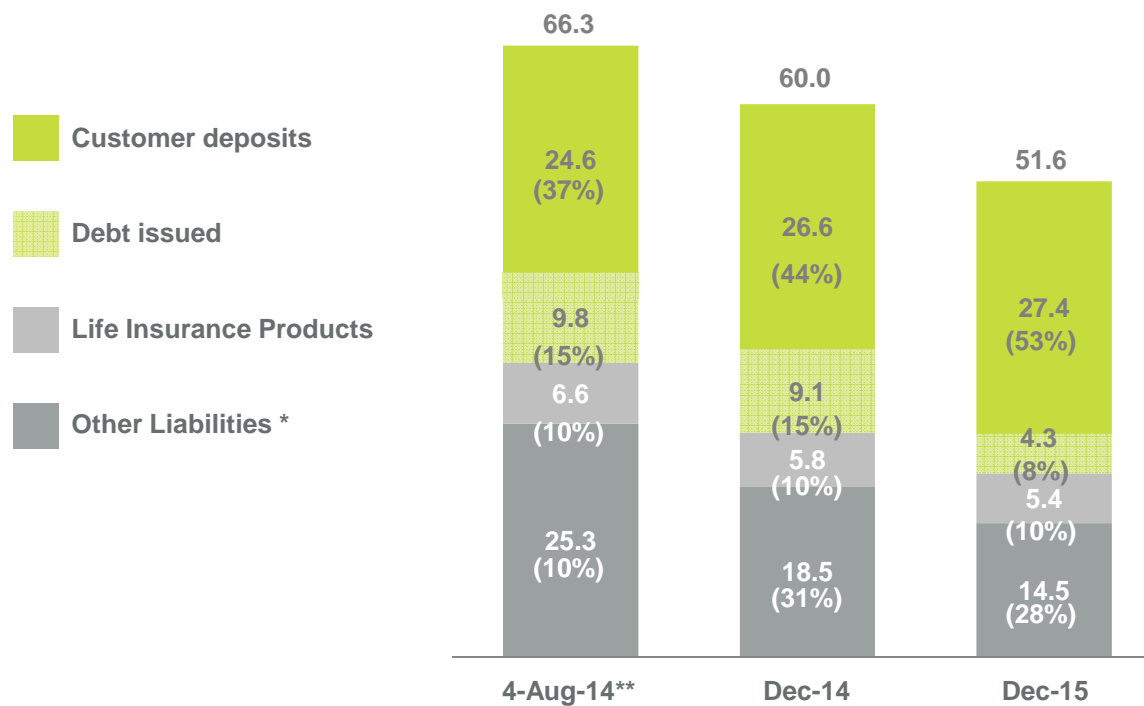


* Other Sovereign Debt included mostly Sovereign Debt from Euro Zone countries

** Figures considering BESI as an operation being discontinued under IFRS 5

Funding mix has improved and Customer Deposits have started to represent more than 50% of Total Liabilities

Evolution of the funding structure (Eur bn, as a % of Total Liabilities)



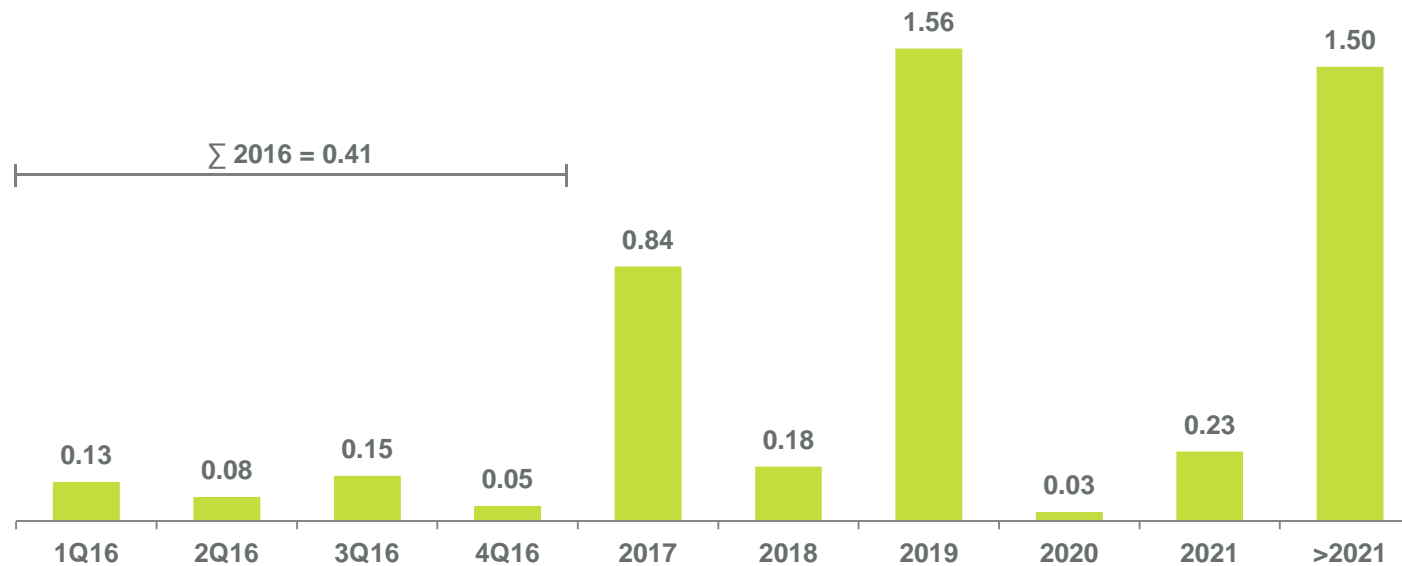
Recovery of funding based on retail customer funds, resulting in a more balanced and stable funding structure.

* Includes funding from ECB

** Figures considering BESI as an operation being discontinued under IFRS 5

**Eur 2.9bn of wholesale MLT debt reimbursed in 2015.
In 2016 wholesale MLT debt reimbursements amount to only
Eur 0.4bn**

MLT Funding (Eur bn)



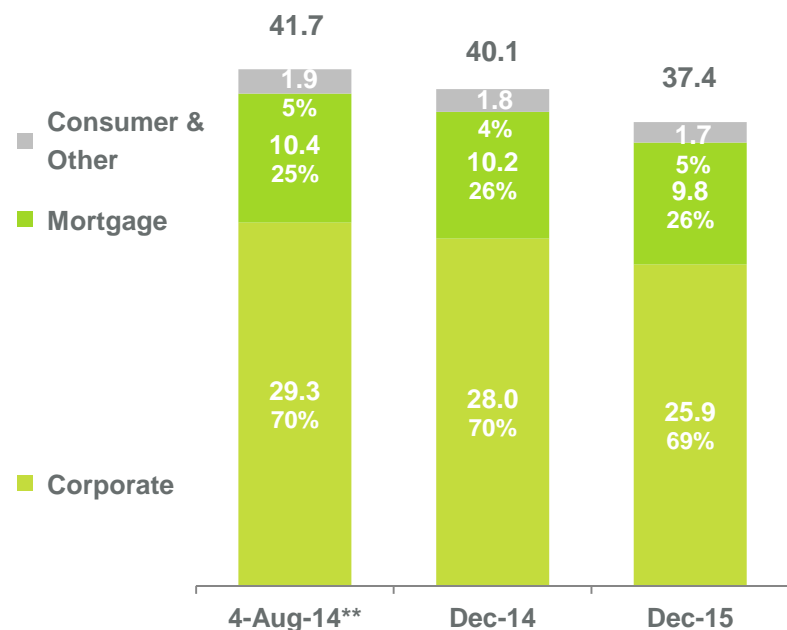
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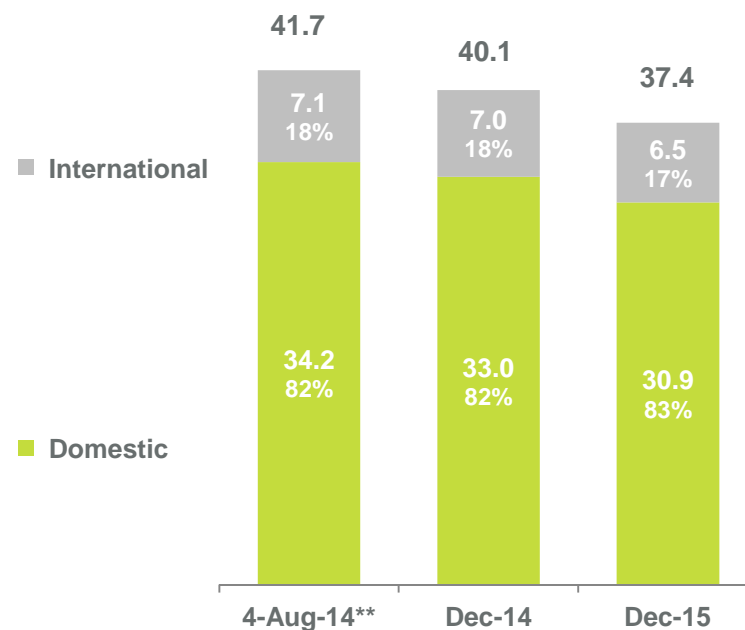
Appendix: Balance Sheet and Income Statement

Corporate and Domestic loans continue to represent the bulk of the Credit

Loan breakdown per Segment * (Eur bn)



Loan breakdown per Geography * (Eur bn)



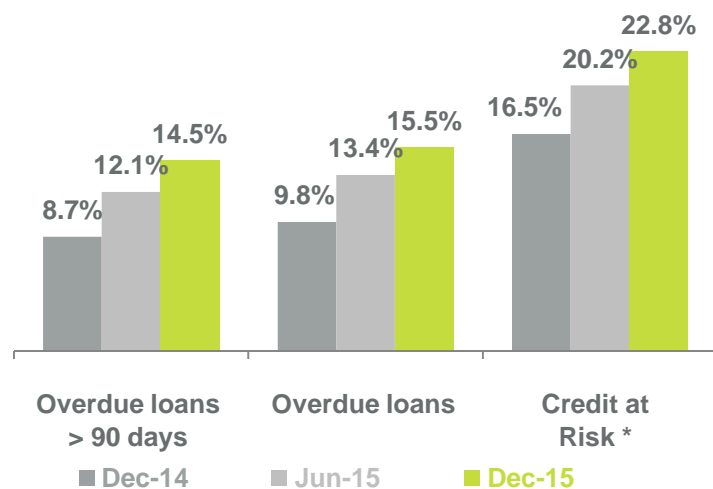
- Reduction in the Loan portfolio focused in the large exposures without impacting the support to SMEs, in particular to the exporters (“Best Bank in Trade Finance in Portugal” – Global Finance, January 2016).
- Relevant increase in the production of residential mortgage loans (+204% YoY) and in consumer loans (+114% in the year).
- Market share of 17.3% in new loans in the 2015 PME Crescimento credit line.

* Breakdown based on Gross Loans

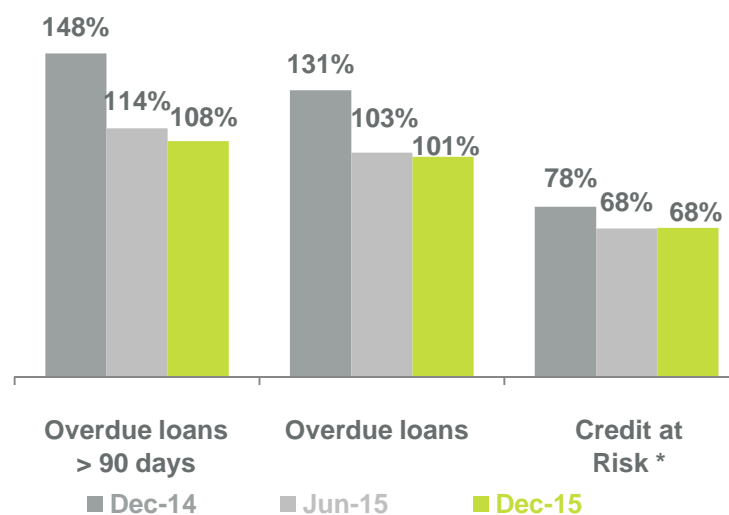
** Figures considering BESI as an operation being discontinued under IFRS 5

Credit Risk Indicators

Overdue and Credit Risk Ratios



Coverage Ratios



Balance Sheet provisions of **NOVO BANCO** in Dec-15 amounted to Eur 5.8bn, having been strongly reinforced in 2015 (+Eur 739.3mn), representing 15.6% of Gross Loans and covered 108% of Overdue Loans > 90 days.

Non-current Assets Held for Sale with a global coverage ratio of 27%

Real Estate (Eur bn)

	Dec-14	Jun-15	Dec-15	YoY chg.%
Book Value (gross)	2,768	3,709	3,567	29%
<i>Provisions</i>	<i>824</i>	<i>871</i>	<i>900</i>	<i>9%</i>
Book Value (net)	1,943	2,839	2,667	37%
Coverage	30%	23%	25%	

Other non-current assets held for sale (Eur bn)

	Dec-14	Jun-15	Dec-15	YoY chg.%
Other non-current assets held for sale	1,208	894	809	-33%
<i>Provisions</i>	<i>405</i>	<i>310</i>	<i>293</i>	<i>-28%</i>
Book Value (net)	804	584	516	-36%
Coverage	34%	36%	37%	

- The change in Real Estate was mainly due to the consolidation of NB Património Fund (previously registered in Other Non-Current Assets Held for Sale) and other real estate properties that were registered in Investment Properties.
- In Dec-15 **NOVO BANCO** presented a coverage ratio for Real Estate of 25% and a coverage ratio for Other Non-Current Assets Held for Sale of 37% representing 27% of the total gross value of the item.

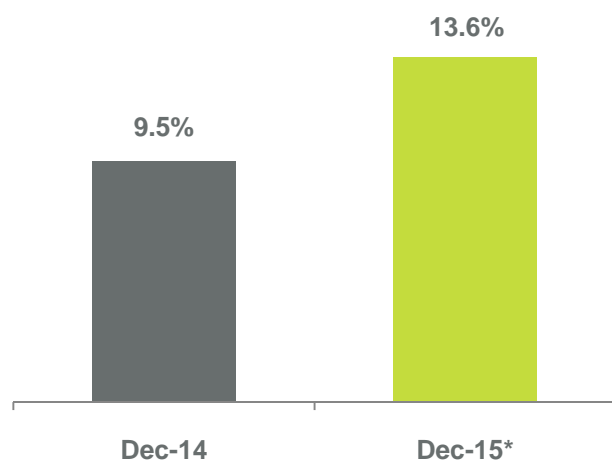
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CET1 phased-in ratio of 13.6%

CET1 phased-in ratio evolution



Capital Ratios (phased-in)

BIS III (CRD IV / CRR)

Eur mn	31-Dec-14	31-Dec-15*
Risk Weighted Assets (A)	46,982	37,669
Own Funds		
CET 1 (B)	4,442	5,140
Tier I (C)	4,442	5,140
Tier II	0	0
Total (D)	4,442	5,140
Common Equity Tier 1 (B/A)	9.5%	13.6%
Tier I (C/A)	9.5%	13.6%
Solvency Ratio (D/A)	9.5%	13.6%

- The Common Equity Tier I phased-in ratio estimated for 31 December 2015 was 13.6% (Dec-14: 9.5%) given the decrease of Eur 9.3bn in Risk Weighted Assets and the increase of Eur 0.7bn in Own Funds.
- Estimated CET I fully implemented ratio of 11.5% in Dec-15 (7.5% in Dec-14).

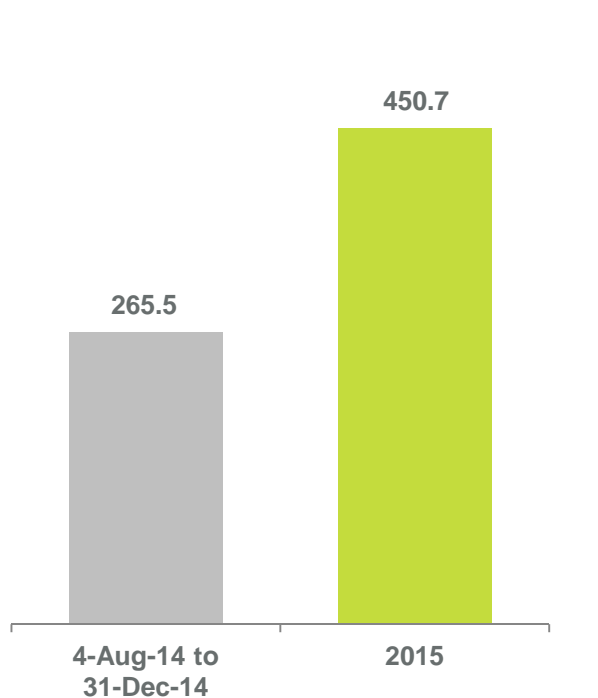
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Net Interest Income improving throughout 2015

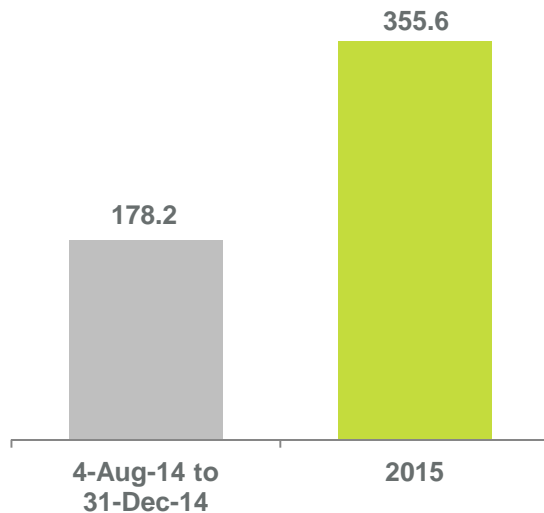
Net Interest Income (Eur mn)



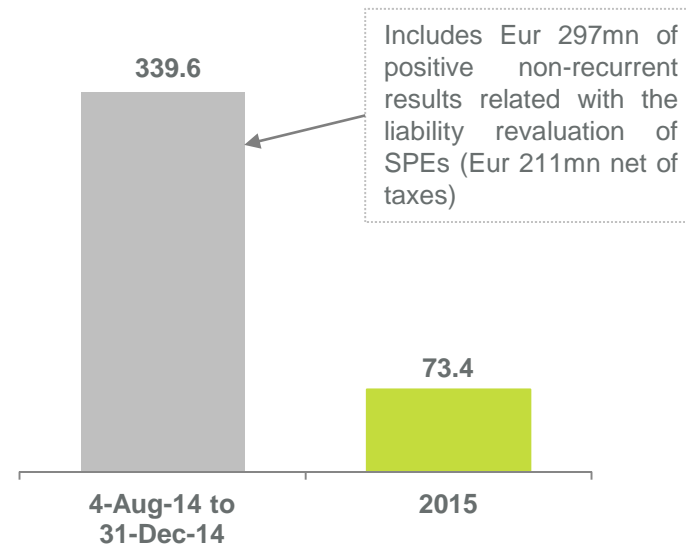
- Net Interest Income was impacted by:
 - sustained decline in benchmark interest rates;
 - need to stabilise customer funding;
 - promoting the reduction of funding from the ESCB
- Net Interest Income in 2015 was strongly impacted by the annulment of overdue interest in the amount of 172.0M with a large part of it being related to large non recurrent operations.
- Net Interest Margin of 0.93%, underpinned by average rates of 2.85% on financial assets and of 1.93% on financial liabilities.

Fees and Commissions and Capital Markets and Other Results

Fees and Commissions (Eur mn)



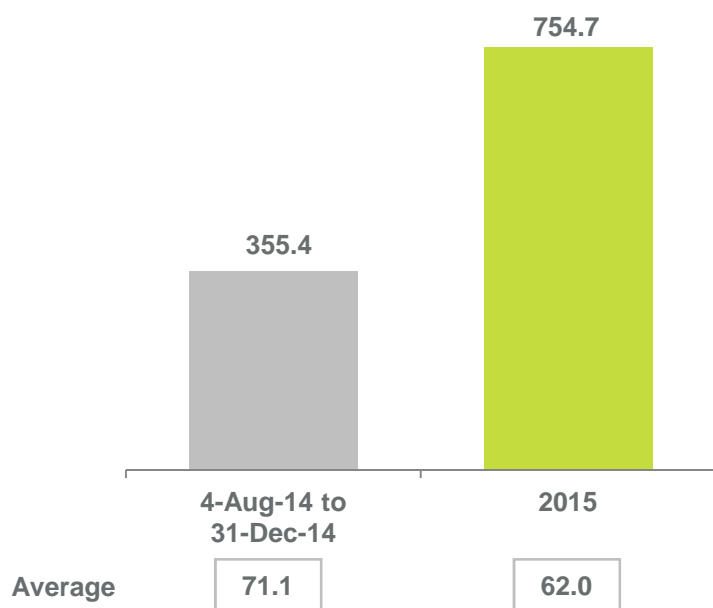
Capital Markets and Other Results (Eur mn)



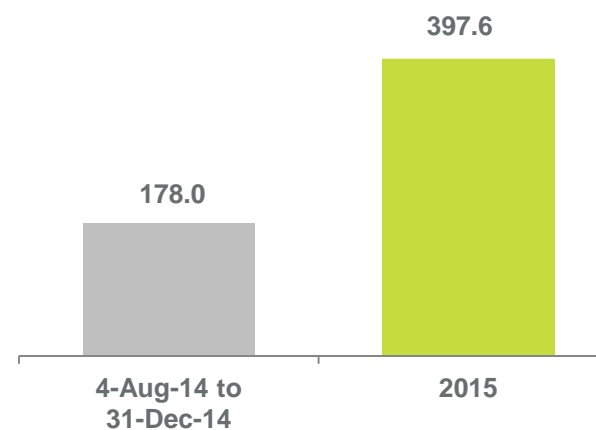
- Fees and Commissions included Eur 34.4mn of costs for commissions paid by **NOVO BANCO** in the scope of debt issues guaranteed by the Portuguese Government.
- Capital Markets Results amounted to Eur 117.9mn, essentially driven by capital gains in sovereign debt. Other Results were negative Eur 44.5mn and included the contribution to the Single Resolution Fund (-Eur 25.3mn) and to the Resolution Fund (-Eur 6.7mn).

Operating Costs decreased by 12.7% on a comparable basis

Operating Costs (Eur mn)



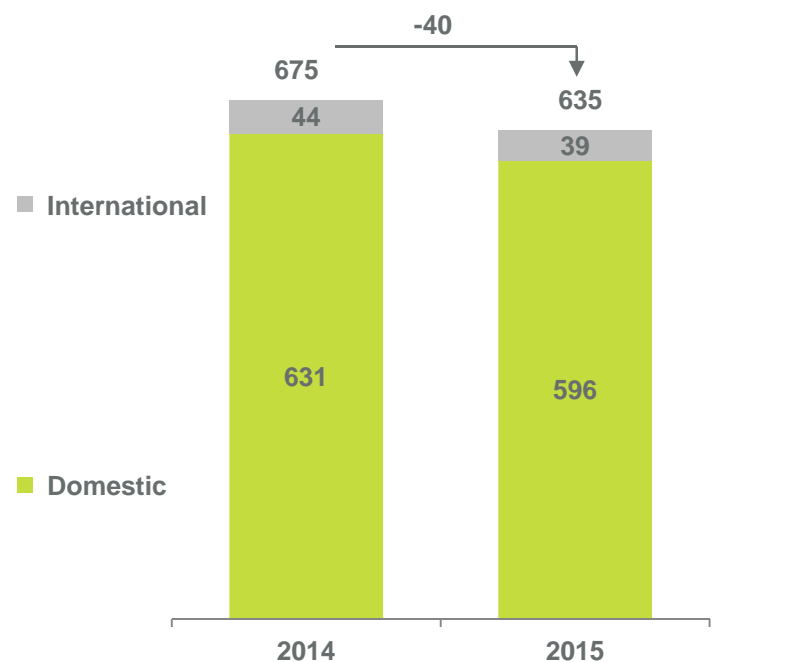
Staff Costs (Eur mn)



- The decrease in Operating Costs was one of the objectives followed aiming to improve efficiency levels.
- Staff Costs totalled Eur 397.6mn, and included Eur 22.8mn of early retirements and redundancy costs (involving 147 employees).
- Excluding non-recurrent costs, Operating Costs amounted to Eur 731.9mn in 2015.

Operating Costs: start of the optimization path

Branch Network



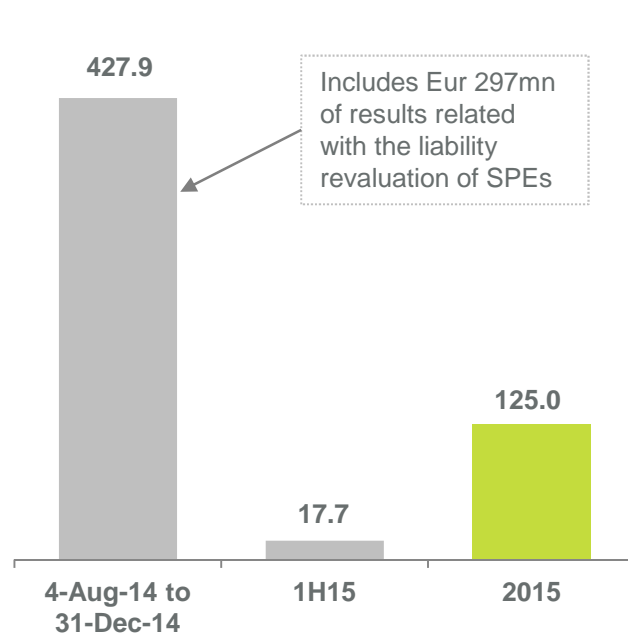
Employees



Comparing with 4 August 2014, the reduction in the number of employees totalled 1,378 (of which 802 considering the sale of BESl).

Net Operating Income reflecting a return to normal operating conditions

Net Operating Income (Eur mn)

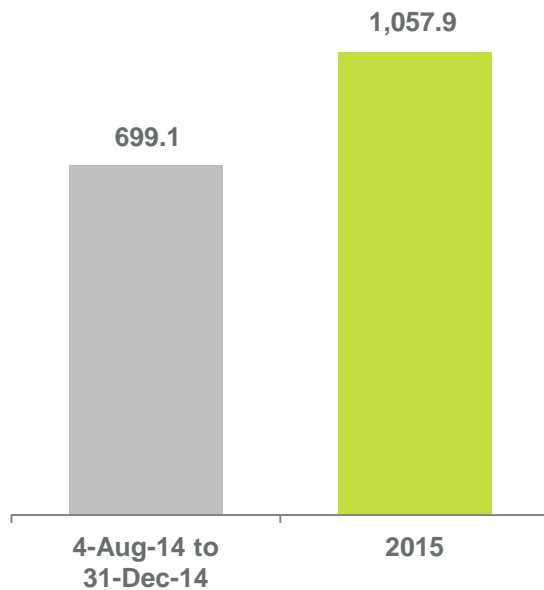


Net Operating Income (before provisions) was positive in Eur 125.0mn due to:

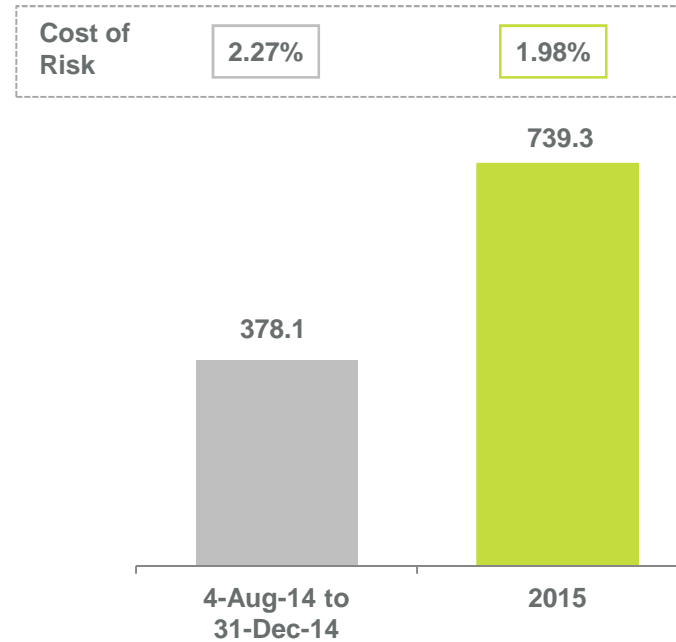
- Banking Income of Eur 879.6mn, improving throughout 2015;
- Operating Costs amounted to Eur 754.7mn, decreasing by 12.7% on a comparable basis vs the 2014 figures.

High provisioning continued to hinder profitability

Total Provisions (Eur mn)



Credit Provisions (Eur mn)



Credit Provisions enabled the reinforcement of the level of coverage of credit by provisions, which increased from 12.8% in 2014, to 15.6% in 2015.

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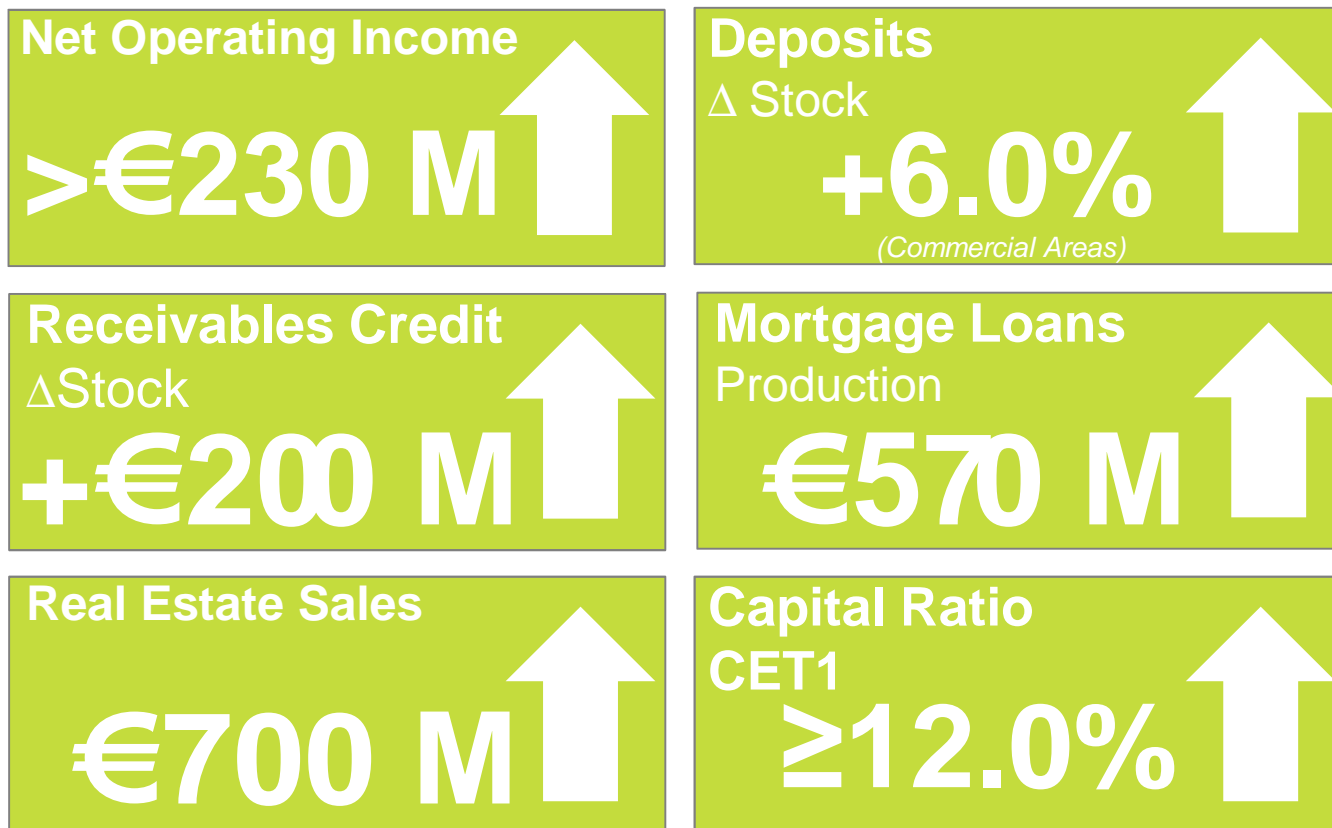
Guiding principles for 2016

NOVO BANCO, a bank...



...that translated into ambitious goals

Objectives of NOVO BANCO Group for 2016



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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 **Eur 57.5bn** (3rd largest bank in Portugal).
- **Reference Bank in Corporate segment.** 85% of Large Corporate and 78% 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.

Balance Sheet

- **Deposits of Eur 27.4bn at the end of 2015**, showing an increase of Eur 2.7bn vs 4-Aug-2014.
- **Loan to Deposit ratio of 113% in Dec-15** improving vs 126% in Dec-14.
- **Estimated CET I phased-in ratio of 13.6%.**

Awards in Several Areas

Best financial app
Apple Store
 and *Google Play*

App	Apple Store	Google Play
NOVO BANCO	4,7	4,3
Bank B	3,5	4,3
Bank C	3,6	4,2
Bank D	3,5	4,2
Bank E	3,6	4,1



Best Trade Finance Bank
 Global Finance



Payment Execution Prize
 JP Morgan



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

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Consolidated Balance Sheet

<i>(Eur mn)</i>	31 Dec.14	31 Dec.15
Cash & deposits at central banks	2,747	776
Deposits with banks	491	340
Financial assets held for trading	1,063	775
Financial assets at fair value through profit & loss	2,230	1,526
Available for sale financial assets	9,478	11,811
Loans and advances to banks	1,044	1,691
Loans and advances to customers	34,929	31,584
Hedging derivatives	405	319
Non current assets held for sale	2,747	3,182
Assets from discontinued operations	4,210	40
Investment properties	297	55
Property and Equipment	397	312
Intangible assets	254	221
Investments in associate companies	402	405
Current tax assets	30	39
Deferred tax assets	2,506	2,535
Technical reserves of reinsurance ceded	8	8
Other assets	2,179	1,910
Total Assets	65,417	57,529

<i>(Eur mn)</i>	31 Dec.14	31 Dec.15
Deposits from central banks	8,612	7,633
Financial liabilities held for trading	1,046	744
Deposits from banks	2,624	4,157
Due to customers	27,938	27,582
Debt securities	9,033	4,225
Hedging derivatives	104	78
Investment Contracts	4,379	4,043
Non current liabilities held for sale	331	163
Liabilities from discontinued operations	3,073	93
Provisions	410	465
Technical reserves	1,461	1,344
Current tax liabilities	34	39
Deferred tax liabilities	50	12
Other Subordinated debt	55	56
Other liabilities	858	948
Total Liabilities	60,008	51,582
Share capital	4,900	4,900
Fair value reserve, retained earnings and other comprehensive income	878	1,971
Net income for the period	(498)	(981)
Non-controlling interest	130	57
Total Equity	5,410	5,948
Total Liabilities + Equity	65,417	57,529

Consolidated Income Statement

<i>(Eur mn)</i>	<i>from 4 Aug. 14 to 31 Dec. 14</i>	<i>2015</i>
Net Interest Income	265.5	450.7
Dividend income	4.8	11.5
Fee and Commission income	225.3	471.5
Fee and Commission expense	(56.4)	(133.5)
Net gains/ (losses) from financial assets at fair value through profit or loss	(21.2)	(112.2)
Net gains/ (losses) from available-for-sale financial assets	34.2	230.8
Net gains/ (losses) from foreign exchange revaluation	75.1	30.1
Net gains/ (losses) from sale of other assets	5.6	(12.3)
Insurance earned premiums, net of reinsurance	17.8	38.3
Claims incurred, net of reinsurance	(273.7)	(237.0)
Change on the technical provision, net of reinsurance	239.3	166.1
Other operating income and expense	248.8	(72.4)
Operating Income	765.0	831.6
Staff costs	(178.1)	(397.6)
General and administrative expenses	(139.5)	(285.4)
Depreciation and amortisation	(37.9)	(71.7)
Provisions and impairments	(699.1)	(1,057.9)
Associate income and joint ventures (equity method)	5.2	16.6
Net Income before income tax and non-controlling interests	(284.2)	(964.4)
Income tax		
Current tax	(28.9)	(58.6)
Deferred tax	(186.6)	27.7
Net Income after taxes and before non-controlling interests	(499.6)	(995.3)
<i>o.w. : Income after taxes from discontinued operations</i>	<i>0.1</i>	<i>(17.5)</i>
<i>Income after taxes from operations being discontinued</i>	<i>(46.6)</i>	<i>21.8</i>
Non-controlling interests	2.0	14.8
Net Income / (Loss) for the period	(497.6)	(980.6)

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.

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. These factors include, but are not limited to, changes in economic conditions in individual countries in which the NOVO BANCO Group conducts its business, fiscal or other policies adopted by various governments and regulatory authorities of Portugal and other jurisdictions, levels of competition from other banks and financial services companies as well as future exchange rates and interest rates.

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