Announcement

Lisbon, 8 November 2019

NOVO BANCO GROUP ACTIVITY AND RESULTS

AS AT 30 SEPTEMBER 2019

(Unaudited financial information)

As in 2018, NOVO BANCO discloses its results up to 30 September 2019 (unaudited) presenting separately the financial results of NOVO BANCO Recurrent, which include all the core banking activity, and those of NOVO BANCO Legacy. NOVO BANCO considers that differentiating between NOVO BANCO Recurrent and NOVO BANCO Legacy will allow customers and other stakeholders to better understand the progress of the Bank’s ongoing restructuring.

HIGHLIGHTS

- **Growth of recurrent loan volumes (+4.5%; +€1,034 million), building on the positive trend achieved in first half 2019 (+3.1%; +€713 million), with increases in both retail and corporate portfolios, reflecting a normalisation of the Bank´s activities.**

  Corporate +3.9%; Residential mortgage +5.5%; Consumer and other +3.1%.

- **Increase in total customer funds (+1.0%; +€343 million), driven by off-balance sheet products distributed through the retail network.**

- **Progress to sustainable profitability.**

  Recurrent net income +€140.1 million; Recurrent net interest income €361.3 million (Sep.18: €281 million).

- **Continued focus on cost control while investing in the core business and in Digital transformation.**

  Recurrent operating costs €351.5 million (Sep.18: €345.6 million).

- **Pursuing the strategy of reducing non-performing assets.**

  Reduction of non-performing loans by €868.0 million (-12.9%) and real estate assets of €662.9 million (-32.6%). In addition, taking into account the recent sale of non-performing loans portfolio (NATA II) the non-performing loans ratio would be 16% pro-forma as at September 2019 (Dec. 18: 22.4%).

- **NOVO BANCO has completed the sale of the entire share capital of GNB Vida to GBIG Portugal, S.A. with an impact of reducing the Group's legacy net assets by €4,076 million.**

NOVO BANCO continues to deliver on its strategic plan, targets and commitments. In the first nine months of 2019, the Bank also continued to make progresses on its strategic priorities, achieving positive financial results in recurrent activity. In legacy activity the Bank pursued the strategy of reducing non-performing assets.

NOVO BANCO RECURRENT

RESULTS

As at 30 September 2019, NOVO BANCO Recurrent reported a positive net income of +€140.1 million, an increase of +€101.3million compared to the same period of the previous year. Main highlights included (i) the positive performance of net interest income (+€80.3 million) and (ii) the very significant improvement in fair value reserves were offset by the lower capital markets results.

These positive results reflect the continuing focus on the core domestic and Iberian banking business.

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	Income Statement	Recurrent			
		9M2018* (pro-forma)	9M2019	Change	
				absolute	relative
	Net Interest Income	281.0	361.3	80.3	28.6
+	Fees and Commissions	233.0	227.3	- 5.7	- 2.4
=	**Commercial Banking Income**	**514.0**	**588.6**	**74.6**	**14.5**
+	Capital Markets Results	28.8	10.3	- 18.5	- 64.3
+	Other Operating Results	26.8	- 25.1	- 51.9	...
=	**Banking Income**	**569.6**	**573.8**	**4.2**	**0.7**
-	Operating Costs	345.6	351.5	5.9	1.7
=	**Net Operating Income**	**224.0**	**222.2**	**- 1.8**	**- 0.8**
-	**Net Impairments and Provisions**	**58.2**	**94.8**	**36.6**	**62.9**
	Credit	18.1	130.4	112.3	...
	Securities	14.0	2.8	- 11.2	- 80.1
	Other Assets and Contingencies	26.2	- 38.4	- 64.5	...
=	**Income before Taxes**	**165.8**	**127.5**	**- 38.4**	**- 23.1**
	Corporate Income Tax and Special Tax on Banks	126.1	-12.8	- 138.9	...
=	**Income after Taxes**	**39.7**	**140.3**	**100.5**	**...**
-	Non-Controlling Interests	0.9	0.2	- 0.7	- 79.5
=	**Net Income for the Period**	**38.8**	**140.1**	**101.3**	**...**

* Data as of 30 September 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017

Net interest income increased by €80.3 million, to €361.3 million, benefiting from the positive contribution of the optimisation measures implemented in 2018, increase of credit volumes and continued focus on pricing policy.

NET INTEREST INCOME AND NET INTEREST MARGIN	9M2018			9M2019		
mn€	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	33 930	1.89%	486	34 727	1.89%	499
Customer Loans	22 868	2.46%	427	23 652	2.28%	410
Other financial assets	11 062	0.70%	59	11 075	1.06%	89
Money Market Placements	2 322	-0.05%	- 1	930	-0.02%	0
Securities and Other Assets	8 740	0.90%	60	10 145	1.16%	89
INTEREST EARNING ASSETS AND OTHER	**33 930**	**1.89%**	**486**	**34 727**	**1.89%**	**499**
INTEREST BEARING LIABILITIES AND OTHER	**33 930**	**0.85%**	**218**	**34 727**	**0.49%**	**130**
NIM /NII (without stage 3 impairment adjustment)		**1.04%**	**268**		**1.40%**	**369**
Stage 3 impairment			**- 16**			**- 7**
NIM / NII		**0.98%**	**252**		**1.37%**	**361**

As a result of the liability management measures in 2018, the cost of funding decreased from 0.85% to 0.49%, while the interest rate on assets remained flat at 1.89%. The interest rate on customer loans was 2.28% (2.46% at 30 September 2018) reflecting the competitive market in retail and corporate banking. Despite the growth of the loan portfolio, NOVO BANCO remains focused on pricing discipline. The resulting net interest margin for the first nine months of the year was 1.37% (+39bps compared to 30 September 2018).

Fees and commissions on banking services were stable contributing with €227.3 million, which compares with €233.0 million on 30 September 2018.

Capital markets results totalled +€10.3 million, reflecting the gains on the sale and revaluation of securities, in particular sovereign debt securities. In addition, the losses recorded in capital markets results related to public debt securities hedging operations (-€111.1 million) were more than offset by the evolution of the respective fair value reserves (+€399.9 million), although not accounted through profit and loss, increase the Group's shareholders' equity.

Operating costs totalled €351.5 million, which is 1.7% above September 2018, reflecting the investment made in the core business and in the digital transformation, as well as continued cost control.

Core operating income (commercial banking income – operating costs) increased by €68.7 million year-on-year, to €237.1 million at 30 September 2019.

The **cost of risk** considered as an aggregate of credit and guarantees impairment was €76.2 million (42bps).

ACTIVITY

Assets increased by €2,039 million (+5.4%) with net customer loans growing by 4.0% (+€895 million), building on the positive trend achieved in the first half of 2019 (+3.1%; +€713 million), with increases in all loan portfolios (loans to individuals and corporate loans). The growth in corporate loans reflects the continued support to domestic companies, across all economic sectors (including industry, retail, real estate activities and tourism, and services), with a special focus on SMEs.

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	30-Sep-18 * (pro-forma)	31-Dec-18	30-Sep-19	YtD Change	
				absolute	relative
Customer loans (net)	22 157	22 465	23 360	895	4.0%
Real estate	354	374	336	- 38	-10.3%
Other assets	18 261	14 777	15 959	1 182	8.0%
Total Net Assets	**40 772**	**37 616**	**39 655**	**2 039**	**5.4%**
Total Liabilities and Equity	**40 772**	**37 616**	**39 655**	**2 039**	**5.4%**

* Data as at 30 September 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.

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CUSTOMER LOANS	30-Sep-18 (pro-forma)	31-Dec-18	30-Sep-19	YtD Change	
				absolute	relative
Customer Loans (gross)	**22 817**	**23 077**	**24 111**	**1 034**	**4.5%**
Corporate	12 251	12 447	12 931	484	3.9%
Residential Mortgage	9 277	9 329	9 840	511	5.5%
Consumer finance and other	1 289	1 301	1 340	40	3.1%
Non-Performing Loans (NPL)*	**1 376**	**1 309**	**1 406**	**97**	**7.4%**
Impairment	**660**	**612**	**751**	**139**	**22.7%**
NPL Ratio*	**5.2%**	**5.4%**	**5.6%**	**0.2 p.p.**	**…**
NPL coverage*	**48.0%**	**46.8%**	**53.5%**	**6.7 p.p.**	**…**
Cost of Risk (bps)	**- 63**	**17**	**72**	**55**	**…**

* Includes Loans and advances to banks and Customer Loans

NOVO BANCO LEGACY

In line with the medium-term strategy of deleverage of legacy assets, NOVO BANCO Legacy reported a loss of -€712.4 million, which includes -€395 million of losses related to the sale of assets (project Sertorius - sale of real estate; project Albatros - sale of real estate and non-performing loans in Spain; project NATA II - sale of non-performing loans and related assets; and GNB Vida).

Following an initial Nata II Gross and Net Asset value of €1,713 million and €297 million with a portfolio sale value of €191 million, the final Gross and Net Asset disposals approved by the Fundo de Resolução were €1,365 million and €248 million respectively. The new portfolio sale value is €157 million.

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Income Statement	Legacy			
	9M2018* (pro-forma)	9M2019	Change	
			absolute	relative
Net Interest Income	48.4	40.4	- 7.9	- 16.4
+ Fees and Commissions	3.6	2.2	- 1.4	- 38.2
= Commercial Banking Income	**51.9**	**42.6**	**- 9.3**	**- 17.9**
+ Capital Markets Results	- 21.1	- 54.6	- 33.5	...
+ Other Operating Results	- 44.5	- 171.3	- 126.8	...
= Banking Income	**-13.7**	**-183.3**	**-169.6**	**...**
- Operating Costs	17.9	10.2	-7.7	- 42.9
= Net Operating Income	**-31.6**	**-193.5**	**-161.9**	**...**
- Net Impairments and Provisions	**398.0**	**546.1**	**148.1**	**37.2**
Credit	214.5	325.9	111.4	51.9
Securities	1.2	- 5.0	- 6.2	...
Other Assets and Contingencies	182.3	225.2	42.9	23.6
= Income before Taxes	**- 429.6**	**- 739.6**	**- 310.0**	**- 72.2**
Corporate Income Tax and Special Tax on Banks	0.0	- 11.3	- 11.3	...
= Income after Taxes	**- 429.6**	**- 728.3**	**- 298.7**	**- 69.5**
- Non-Controlling Interests	0.1	- 15.9	- 16.0	...
= Net Income for the Period	**- 429.8**	**- 712.4**	**- 282.7**	**- 65.8**

* Data as of 30 September 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017

NOVO BANCO Legacy assets decreased by 51.5% compared to December 2018. This was underpinned by reductions in the net loan book of circa -€573 million (-25.0%), in real estate assets amounting to -€625 million (-37.6%), and in other assets in -€4,290 million (-63.9%), of which -€4,076 million due to the derecognition of GNB Vida.

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	30-Sep-18 * (pro-forma)	31-Dec-18	30-Sep-19	YtD Change	
				absolute	relative
Customer loans (net)	2 981	2 289	1 716	- 573	-25.0%
Real estate	1 890	1 661	1 036	- 625	-37.6%
Other assets	6 972	6 708	2 418	-4 290	-63.9%
Total Net Assets	**11 843**	**10 658**	**5 171**	**-5 487**	**-51.5%**
Total Liabilities and Equity	**11 843**	**10 658**	**5 171**	**-5 487**	**-51.5%**

* Data as at 30 September 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.

There are no liabilities directly allocated to the legacy activity, therefore the funding costs for legacy loans and real estate, are calculated based on the Group average balance sheet funding rate (0.49%).

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CUSTOMER LOANS	30-Sep-18 (pro-forma)	31-Dec-18	30-Sep-19	YtD Change	
				absolute	relative
Customer Loans (gross)	**7 687**	**5 635**	**4 675**	**- 960**	**-17.0%**
Corporate	6 802	5 148	4 270	- 878	-17.1%
Residential Mortgage	529	220	177	- 43	-19.7%
Consumer finance and other	357	267	228	- 39	-14.6%
Non-Performing Loans (NPL)*	**7 447**	**5 429**	**4 464**	**- 965**	**-17.8%**
Impairment	**4 706**	**3 346**	**2 959**	**- 387**	**-11.6%**

* Includes Loans and advances to banks and Customer Loans

NOVO BANCO GROUP RESULTS

NOVO BANCO Group reported a net loss of -€572.3 million in the first nine months of 2019, reflecting the combined effect of a -€712.4 million loss in legacy activity and a €140.1 million gain in recurrent activity. In this period, NOVO BANCO Group recorded losses related to the restructuring process and the deleverage of non-performing assets, namely project Sertorius, project Albatros, project NATA II and the sale process of GNB Vida, with a negative impact of -€391 million.

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INCOME STATEMENT	9M2018 *	9M2019	Change	
			absolute	relative
Net Interest Income	329.4	401.7	72.3	22.0%
+ Fees and Commissions	236.6	229.5	- 7.0	-3.0%
= **Commercial Banking Income**	**565.9**	**631.2**	**65.3**	**11.5%**
+ Capital Markets Results	7.8	- 44.3	- 52.0	...
+ Other Operating Results	- 17.7	- 196.5	- 178.7	...
= **Banking Income**	**555.9**	**390.5**	**- 165.4**	**-29.8%**
- Operating Costs	363.5	361.8	- 1.7	-0.5%
= **Net Operating Income**	**192.4**	**28.7**	**- 163.7**	**-85.1%**
- **Net Impairments and Provisions**	**456.2**	**640.9**	**184.7**	**40.5%**
Credit	232.6	456.2	223.6	96.1%
Securities	15.2	- 2.2	- 17.4	...
Other Assets and Contingencies	208.4	186.9	- 21.6	-10.3%
= **Income before Taxes**	**- 263.8**	**- 612.2**	**- 348.4**	**...**
- Corporate Income Tax	98.8	- 51.2	- 150.1	...
- Special Tax on Banks	27.3	27.1	- 0.2	-0.7%
= **Income after Taxes**	**- 389.9**	**- 588.0**	**- 198.1**	**-50.8%**
- Non-Controlling Interests	1.0	- 15.7	- 16.7	...
= **Net Income for the Period**	**- 390.9**	**- 572.3**	**- 181.4**	**-46.4%**

* The income statement as of 30 September 2018 w as restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017. This restatement aims to ensure the comparability and consistency of the data presented.

The combined activity in the first nine months of 2019 includes the following:

- Increased commercial banking income €631.2 million (+11.5% YoY), supported by the increase in net interest income (+22.0%), which made up for the reduction in fees and commissions (-3.0%);
- Capital markets results were negative, at -€44.3 million, reflecting the losses resulting from the legacy activity (-€54.6 million). In contrast, fair value reserves on the sovereign debt securities portfolio reported an increase of €399.9 million;
- Operating costs decreased by 0.5% year-on-year, to €361.8 million, underpinned by the improvements made in simplifying processes and streamlining the organisation, with the consequent reduction in the number of branches and employees. The costs related to the legacy activity were also significantly reduced;
- The provision charges in the period, totalling €640.9 million, includes credit impairments amounting to €456.2 million, -€2.2 million for securities and €186.9 million for other assets and contingencies, of which €35.1 million are provisions for restructuring and €169.8 million are related to the sale of non-performing assets (Projects Sertorius, Albatros in Spain and NATA II).

Net Interest Income

The reduction in the interest rate on liabilities (-30bps) contributed to the increase in the net interest margin by 38bps year-on-year (from 0.93% to 1.31%), with the interest rate on assets increasing by 5bps (from 1.77% to 1.82%). The net interest income shown also includes the net interest income of legacy activity.

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NET INTEREST INCOME AND NET INTEREST MARGIN	9M2018			2018			9M2019		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	42 488	1.77%	571	42 285	1.75%	752	40 335	1.82%	558
Customer Loans	30 917	2.09%	491	30 722	2.06%	643	28 783	2.07%	452
Money Market Placements	2 743	0.85%	18	2 610	0.83%	22	1 342	1.40%	14
Securities and Other Assets	8 828	0.93%	62	8 952	0.95%	87	10 210	1.18%	91
OTHER NON-INTEREST EARNING ASSETS	-	-	-	-	-	-	-	-	-
INTEREST EARNING ASSETS AND OTHER	**42 488**	**1.77%**	**571**	**42 285**	**1.75%**	**752**	**40 335**	**1.82%**	**558**
INTEREST BEARING LIABILITIES	38 429	0.87%	254	38 404	0.73%	284	37 719	0.52%	149
Customer Deposits	28 865	0.85%	187	28 836	0.66%	194	27 930	0.35%	75
Money Market Funding	8 459	0.35%	22	8 470	0.30%	26	8 713	0.29%	19
Other Liabilities	1 105	5.39%	45	1 098	5.73%	64	1 076	6.70%	55
OTHER NON-INTEREST BEARING LIABILITIES	4 059	-	-	3 881	-	-	2 616	-	-
INTEREST BEARING LIABILITIES AND OTHER	**42 488**	**0.79%**	**254**	**42 285**	**0.66%**	**284**	**40 335**	**0.49%**	**149**
NIM / NII (without stage 3 impairment adjustment)		**0.98%**	**317**		**1.09%**	**468**		**1.34%**	**409**
Stage 3 impairment			**- 16**			**- 14**			**- 7**
NIM / NII		**0.93%**	**301**		**1.06%**	**454**		**1.31%**	**402**

The average rate on customer loans, the main component of financial assets (71.4%), was 2.07%. As to liabilities, the average balance of deposits was €27.9 billion, with an average interest rate of 0.35%. The Bank therefore continued to build the spread between the rate on interest earning assets (1.82%; Dec. 2018: 1.75%) and the cost of liabilities (0.49%; Dec. 2018: 0.66%).

Fees and Commissions

Fees and commissions on banking services contributed €229.5 million, which compares with €236.6 million on 30 September 2018.

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FEES AND COMMISSIONS	9M2018	9M2019	Change	
			absolute	relative
Payments Management	88.9	87.6	-1.3	-1.4%
Commissions on Loans, Guarantees and Similar	83.7	77.6	-6.0	-7.2%
Asset Management and Bancassurance	49.5	50.4	0.9	1.8%
Advising, Servicing and Other	14.5	13.8	-0.6	-4.2%
TOTAL	**236.6**	**229.5**	**-7.0**	**-3.0%**

While payments and asset management fees and commissions remained stable, the slight decrease in commissions on loans and guarantees reflects the competitive corporate market.

Capital Markets and Other Operating Results

Capital markets results at -€44.3 million, reflect on the one hand the gains on the sale and revaluation of sovereign debt securities and the losses on the revaluation of derivative instruments, and on the other, the losses resulting from the legacy activity (-€54.6 million).

Other operating results include, apart from the losses related with the projects for the sale on non-performing assets (-€80.4 million), the costs with the contributions to the Single Resolution Fund (€22.5 million) and to the Portuguese Resolution Fund (€12.2 million).

Operating Costs

Operating costs show a year-on-year reduction of -0.5%, reflecting the restructuring measures associated with the downsizing of the distribution network and simplification and scaling down of the organisational structure and processes, with the consequent reduction of the headcount.

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OPERATING COSTS	9M2015	9M2016	9M2017	9M2018	9M2019	YoY change	
						absolute	relative
Staff Costs	302.5	230.2	210.4	199.5	200.6	1.1	0.6%
General and Administrative Costs *	225.6	176.8	152.7	147.9	134.3	- 13.6	-9.2%
Depreciation *	66.6	42.9	31.2	16.2	26.9	10.7	65.9%
TOTAL	**594.7**	**449.9**	**394.2**	**363.5**	**361.8**	**- 1.7**	**-0.5%**

* The adoption of IFRS 16 in 2019 led to an increase of c. €15 million in Depreciation and to a decrease of the same amount in General and Administrative Costs.

Staff costs amounted to €200.6 million (+0.6% YoY), with an associated headcount reduction of 129 employees since 31 December 2018. As at 30 September 2019, NOVO BANCO Group had 4,967 employees.

General and administrative costs dropped by -9.2% YoY, to €134.3 million. This reduction reflects the continued rationalisation and streamlining of the Bank internal business processes.

At 30 September 2019 the branch network comprised 395 units (402 at 31 December 2018).

Impairments and Provisions

NOVO BANCO Group increased provisions by €640.9 million (€184.7 million more than at 30 September 2018), of which €456.2 million for credit (€223.6 million increase) and €186.9 million for other assets and contingencies, including €35.1 million for restructuring and €165.7 million related to the sale of non-performing assets.

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NET IMPAIRMENTS AND PROVISIONS	9M2018	9M2019	Change	
			absolute	relative
Customer Loans	232.6	456.2	223.6	96.1%
Securities	15.2	-2.2	-17.4	...
Other Assets and Contingencies	208.4	186.9	- 21.6	-10.3%
TOTAL	**456.2**	**640.9**	**184.7**	**40.5%**

Net impairments and provisions include €546.1 million related to the legacy activity, which represents 85% of the total for NOVO BANCO Group.

ACTIVITY, LIQUIDITY AND CAPITAL MANAGEMENT

CUSTOMER LOANS

NOVO BANCO's strategy is one of supporting the domestic business community combined with a robust lending policy. This support has been provided across all industry sectors, placing a particular focus on the exporting small and medium-sized companies, namely industry, retail, real estate and tourism, and services sectors, and those that incorporate innovation in their products, services or production systems.

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CUSTOMER LOANS	30-Sep-18	31-Dec-18	30-Sep-19	YtD Change	
				absolute	relative
Corporate Lending	**19 053**	**17 595**	**17 200**	**- 395**	**-2.2%**
Loans to Individuals	**11 452**	**11 117**	**11 586**	**468**	**4.2%**
Residential Mortgage	9 806	9 550	10 017	468	4.9%
Other Loans	1 646	1 568	1 568	1	0.1%
Customer Loans (gross)	**30 505**	**28 712**	**28 786**	**74**	**0.3%**
Provisions	5 366	3 958	3 710	- 248	-6.3%
Customer Loans (net)	**25 139**	**24 754**	**25 076**	**322**	**1.3%**

Gross customer loans increased by €74 million relative to December 2018. The reduction in corporate loans in the first 9 months of 2019 was mainly focused on non-performing loans, mainly from legacy activity, which decreased by €896 million. In the recurrent activity, net loan volumes increased by 4.0%, with improvements in both individuals and corporate portfolios, reflecting the normalisation of activity.

The main credit risk indicators showed an improvement compared to December 2018.

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ASSET QUALITY AND COVERAGE RATIOS	30-Sep-18	31-Dec-18	30-Sep-19	YtD Change	
				absolute	relative
Overdue Loans > 90 days	4 896	3 464	2 869	- 595	-17.2%
Non-Performing Loans (NPL)*	8 825	6 739	5 871	- 868	-12.9%
Overdue Loans > 90 days / Customer Loans (gross)	16.0%	12.1%	10.0%	-2.1 p.p.	
Non-Performing Loans (NPL) / Customer Loans (gross) + Deposits with banks and advances to banks (gross)	25.6%	22.4%	19.5%	-2.9 p.p.	
Credit Provisions / Customer Loans	17.6%	13.8%	12.9%	-0.9 p.p.	
Coverage of Overdue Loans > 90 days	109.6%	114.3%	129.3%	15.0 p.p.	
Coverage of Non-Performing Loans	61.6%	59.9%	64.5%	4.7 p.p.	

* Includes Deposits with banks and Loans and advances to banks

The reduction in loans overdue by more than 90 days and in non-performing loans (including deposits with banks and loans and advances to banks) improved the respective asset quality ratios to 10.0% and 19.5%, respectively, on 30 September 2019. Taking into account the progress made in the recent sale of non-performing loans portfolio (NATA II), the non-performing loans ratio would be 16% pro-forma as at September 2019 (Dec. 18: 22.4%). The coverage of non-performing loans by impairments (including deposits with banks and loans and advances to banks) reached 64.5%.

Provisions for credit amounted to €3.7 billion, representing 12.9% of the total loan book.

FUNDING

As at 30 September 2019 total customer funds amounted to €34.9 billion, with off-balance sheet funds having increased by 11.9% YtD.

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TOTAL FUNDS	30-Sep-18 *	31-Dec-18	30-Sep-19	YtD Change	
				absolute	relative
Deposits	29 500	28 350	28 048	- 302	-1.1%
Other Customer Funds [(1)]	757	346	421	76	21.9%
Debt Securities [(2)]	693	689	700	10	1.5%
Subordinated Debt	406	415	406	- 8	-2.0%
Sub -Total	**31 356**	**29 799**	**29 575**	**- 224**	**-0.8%**
Off-Balance Sheet Funds	4 982	4 769	5 336	568	11.9%
Total Funds	**36 338**	**34 568**	**34 911**	**343**	**1.0%**

* Data as at 30 September 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017

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

(2) Includes funds associated to consolidated securitisation operations

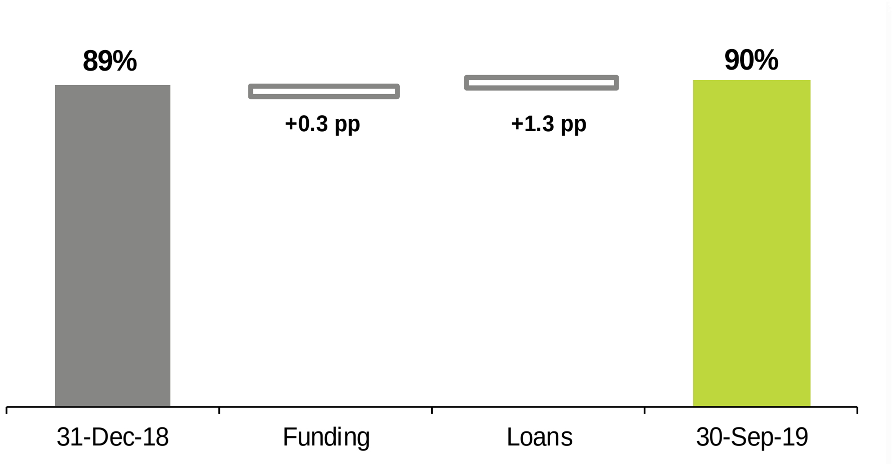
LIQUIDITY

Viewing the improvement of profitability, in the third quarter of 2019, the Bank pursued its policy of lowering the price of the deposits while at the same time diversifying its offering (with a special focus on off-balance sheet products). Notwithstanding the customer deposits increased by approximately €227 million relative to June 2019, reaching a total of €28.0 billion. In terms of assets and in relation to the first half of 2019, NOVO BANCO increased the amount invested in the securities portfolio (0.9%) and slightly reduced the loan portfolio (-0.5%).

The portfolio of eligible assets for rediscount with the European Central Bank, as at 30 September 2019, totalled €15.2 billion (net of haircuts), which compares with €15.4 billion in June 2019, to which add HQLA non-eligible for ECB rediscount purposes. Hence in the third quarter the Bank maintained a liquidity buffer above €9 billion, largely composed of highly liquid assets (87%). NOVO BANCO also extended the maturity of a Covered Bond issue (ISIN: PTNOBBOE0011), with nominal value of €1,000 million, for a period of five years, to 7 October 2024.

NOVO BANCO maintained a comfortable liquidity position with the regulatory Liquidity Coverage Ratio (LCR) standing at 120% at 30 September 2019 (130% at the end of the first half of the year).

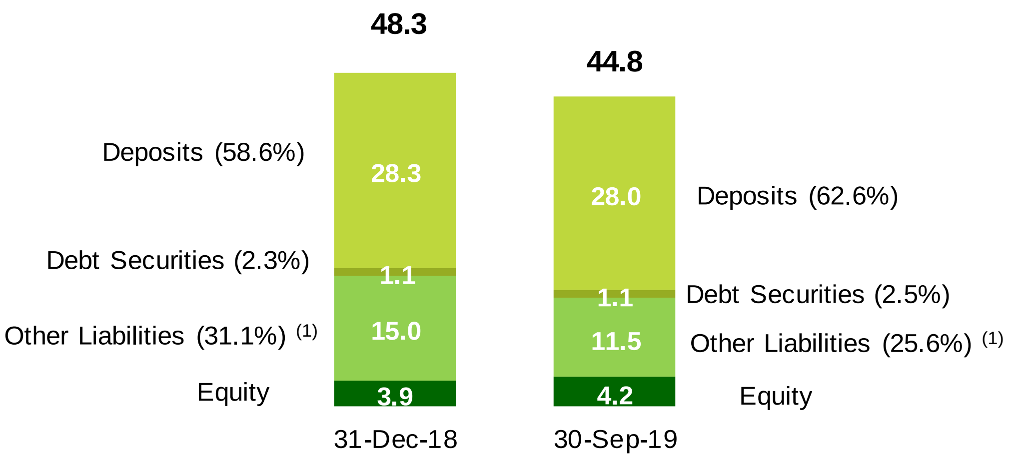
LOAN TO DEPOSIT RATIO



Customer deposits remain the main source of balance sheet funding, accounting for 69.0% of total liabilities (excluding Equity) and 62.6% of total assets.

FUNDING STRUCTURE

(figures in billion €)



(1) Includes ECB funding

CAPITAL

NOVO BANCO's Common Equity Tier 1 (CET1) and Tier 1 ratios are protected at pre-established levels, up to the amounts of losses already recorded on the assets protected by the Contingent Capital Agreement. The compensation amount to be requested for 2019 will only be definitive at the end of the year, taking into account the losses, recoveries and the regulatory requirements for capital ratios in force at the end of 2019.

At 30 September 2019 the CET1 ratio was 13.5% and the total capital ratio was 15.1%, representing an increase compared to the end of 2018 due to the increase in capital reserves applicable to NOVO BANCO on a sub-consolidated basis.

As at 30 September 2019, NOVO BANCO complied with all capital ratios required by the European Central Bank (ECB) under the Supervisory Review and Evaluation Process (SREP).

mn€

CAPITAL RATIOS (CRD IV/CRR)		30-Sep-18	31-Dec-18	30-Sep-19 [1]
Risk Weighted Assets	(A)	31 314	29 874	30 495
Own Funds				
Common Equity Tier 1	(B)	4 224	3 808	4 119
Tier 1	(C)	4 227	3 809	4 120
Total Own Funds	(D)	4 751	4 328	4 608
Common Equity Tier 1 Ratio	(B/A)	13.5%	12.8%	13.5%
Tier 1 Ratio	(C/A)	13.5%	12.8%	13.5%
Solvency Ratio	(D/A)	15.2%	14.5%	15.1%
Leverage Ratio			8.2%	8.8%

[1] Provisional data

COMMERCIAL ACTIVITY

Corporate Banking

NOVO BANCO continues to support business activity in Portugal. In the Medium-sized and Large Companies segment, production of medium- and long-term loans totalled €1.4 billion in the first nine months of 2019, which includes €200.7 million production under the *Capitalizar 2018*, *Capitalizar Mais*, and *FEI Inovação IV* credit lines, €186.4 million in leasing and €264.8 million in bank guarantees. Trade Finance, another important business area of the Bank, which provides a wide range of products and specialised advice designed to support international trade, reported a market share of around 20% in September 2019.

The clients' positive assessment of this segment is also worthy of note. On a scale of 0 to 10, 92% of the Clients ranked their satisfaction with NOVO BANCO's customer service between 8 and 10 (where 10 is the maximum).

In line with the strategy of support to and proximity to the domestic companies and to the various sectors of economic activity, during the third quarter of the year, NOVO BANCO was a partner in several events in its role of fostering Portuguese business activity, and in particular its exporting component as one of the major forces of the Portuguese economy, including:

- The 2nd international seminar on "The potential and profitability of the almond culture", held on 17 September, in Santarém, which brought together the largest almond producers in Portugal;
- The Wine Harvest Fair, held in Viseu from the 19th to the 22nd of September, which celebrates the wine culture and economy of the Dão region. The programme of this Fair's 2019 edition featured, at the corporate level, the Conference "Wine Tourism in the Dão region - A way for Wine and Tourism", which fostered a debate

between wine producers and wine tourism entrepreneurs on how to promote the region's wine tourism business; and

- The Publituris Travel Awards, held on 17 September in Cascais, a flagship of the dynamism and recognition enjoyed by the tourism business sector at domestic level.

Retail Banking

The Retail banking area has registered growth in terms of the number of individual clients and small businesses that choose NOVO BANCO as their main bank. In a context of fast-changing customer preferences and a very challenging competition environment, NOVO BANCO maintains a prominent position in the main product lines, the result of investment in differentiation through service quality and permanent enhancement of the functionalities and services provided through the digital channels.

In the digital channels, the number of active clients increased by more than 69 thousand (+14% YtD), and the number of clients subscribing to the *Solução NB Ordenado*, a salary credit package of services, totalled more than 24.8 thousand (+20% YoY), driven by the new possibility of adhering to this service through the NB smart app.

The competitiveness and breath of the Insurance and Protection offer (Life and Non-Life insurance products), boosted commercial activity and the level of client cross-selling, with production of new insurance policies growing by 26% year-on-year.

NOVO BANCO's saving and investment solutions were reinforced through the launch of innovative products, namely the ‘NB ECO Structured Deposits’, whose yield is linked to the performance of companies that are leading the change in their industry sectors’ economic models, and are at the forefront of best environmental, social and governance practices.

NOVO BANCO's position as an expert in credit solutions, ensuring a high speed of response, contributed to consumer lending, which grew by 16% year-on-year. This allowed us to maintain NOVO BANCO's market share.

In Residential Mortgage Loans, the introduction of specific solutions for client segments - namely people under 35 or over 50 years-old -, and the provisioning of a proximity service to credit intermediaries, have allowed the Bank to maintain production levels in 2019, amidst an environment of increasing competition.

In the Small Business segment, NOVO BANCO has expanded its product and service offer, designed to facilitate companies’ daily management. Medium- and long-term loans to this segment grew by 16% year-on-year in the first nine months of 2019.

ECONOMIC ENVIRONMENT

The first nine months of 2019 saw the extension of the cycle of expansion of global economic activity, though with growing signs of deceleration in the main economic areas, notably the US, China and the Eurozone. This trend was mainly underpinned by a contraction of industrial activity as a result of the constraints associated with the advanced phase of the cycle (e.g. increased scarcity of resources, rising production costs), by structural problems in the car industry, and last, but not least, by the impact of trade tensions between the US and China. Economic agents' confidence was also undermined by other sources of political uncertainty, including the Brexit and geopolitical tensions in the Middle East. This context led to a slowdown in international trade flows and to the postponement of investment decisions in the main economic areas. Nevertheless, in the US and in Europe, growth was supported by the continued expansion of the services sector (although at a weaker pace) and the favourable performance of private consumption.

Increasing risks to the outlook and the persistence of very subdued inflation and inflation expectations have led the main Central Banks to display a very cautious stance during the period. In the US, the Fed made two 25bps cuts in the target fed funds rate, in July and September, lowering it to 1.75%-2%. In turn, the ECB announced in September the return of its asset purchase programme (with monthly purchases of €20 billion per month as from November) and cut the deposit facility rate by 10bps, to -0.50% (under a two-tier system, to mitigate the negative impact on the financial system). In this context, from January to September the 3-month Euribor fell from -0.309% to -0.418%, while the 10-year Bund yield retreated from 0.242% to -0.571% (hitting a low of -0.714% at the end of August). The 10-year Treasury yield fell from 2.685% to 1.666% (with a low of 1.457% at the beginning of September), while the US yield curve (10Y-3m) inverted as from the end of May. The euro lost 4.8% against the dollar in the period, as the US currency benefited from a global increase in risk aversion.

Despite some volatility associated to the trade tensions, the main equity indices reported significant gains, bolstered by a combination of expanding economic activity (even at a slower pace) with increasingly low interest rates. In the US, the Dow Jones, S&P 500 and Nasdaq indices gained 28.2%, 18.7% and 20.6%, respectively, between January and September. In Europe, the DAX, CAC40 and IBEX rose by 17.7%, 20% and 8.3%.

In Portugal, economic activity proved resilient, mainly supported by domestic demand and tourism. GDP is estimated to have registered quarterly growth of 0.5% in the first three quarters of the year, above the Eurozone average. The 10-year PGB yield fell from 1.72% to 0.161% in the first nine months of the year (with a low of 0.071% in mid-August), narrowing the spread to the German *Bund* from 148bps to 73bps. The PSI-20 equity index advanced by 5.1% up to September.

MAIN HIGHLIGHTS	30-Sep-18 [3]	31-Dec-18	30-Sep-19
ACTIVITY (mn€)			
Net Assets	52 616	48 274	44 826
Customer Loans (gross)	30 504	28 712	28 786
Customer Deposits [3]	29 500	28 350	28 048
Equity [3]	4 833	3 922	4 206
SOLVENCY [4]			
Common EquityTier I / Risk Weighted Assets	13.5%	12.8%	13.5%
Tier I / Risk Weighted Assets	13.5%	12.8%	13.5%
Total Capital / Risk Weighted Assets	15.2%	14.5%	15.1%
LIQUIDITY (mn€)			
European Central Bank Funding [2]	3 469	5 864	5 982
Eligible Assets for Repo Operations (ECB and others), net of haircut	14 714	14 624	15 227
(Total Credit - Credit Provision) / Customer Deposits [1] [3]	86%	89%	90%
Liquidity Coverage Ratio (LCR)[4]	128%	125%	120%
Net Stable Funding Ratio (NSFR)[4]	109%	106%	109%
ASSET QUALITY			
Overdue Loans > 90 days / Customer Loans (gross)	16.0%	12.1%	10.0%
Non-Performing Loans (NPL) / (Customer Loans + Deposits with banks and Loans and advances to banks (gross)	25.6%	22.4%	19.5%
Credit Provision / Overdue Loans > 90 days	109.6%	114.3%	129.3%
Credit Provision / Customer Loans (gross)	17.6%	13.8%	12.9%
Cost of Risk	1.02%	0.92%	2.11%
PROFITABILITY			
Net Income for the Period (mn€) [3]	-390.9	-1412.6	-572.3
Income before Taxes and Non-controlling interests / Average Net Assets [1] [3]	-0.8%	-1.5%	-1.8%
Banking Income / Average Net Assets [1] [3]	1.5%	1.0%	1.1%
Income before Taxes and Non-controlling interests / Average Equity [1] [3]	-7.6%	-14.3%	-19.0%
EFFICIENCY			
Operating Costs / Banking Income [1] [3]	65.4%	100.6%	92.6%
Staff Costs / Banking Income [1] [3]	35.9%	55.0%	51.4%
EMPLOYEES (No.)			
Total	5 165	5 096	4 967
- Domestic	4 862	4 804	4 701
- International	303	292	266
BRANCH NETWORK (No.)			
Total	403	402	395
- Domestic	382	381	375
- International	21	21	20

(1) According to Banco de Portugal Instruction n. 16/2004, in its version in force

(2) Includes funds from and placements with the ESCB; positive = net borrowing; negative = net lending

(3) Data as at 30 September 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017

(4) Provisional data for 30 September 2019

NOVO BANCO, S.A.

CONSOLIDATED INCOME STATEMENT AS AT 30 SEPTEMBER 2019 AND AS AT 30 SEPTEMBER 2018

thousand€

	30.09.2019	30.09.2018 *
Interest Income	562 528	570 127
Interest Expenses	(160 819)	(240 764)
Net Interest Income	**401 709**	**329 363**
Dividend income	9 083	8 860
Fee and comission income	262 108	273 627
Fee and comission expenses	(40 040)	(43 999)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	64 035	33 726
Gains or losses on financial assets and liabilities held for trading	(102 529)	(2 708)
Gains or losses on financial assets mandatorily at fair value through profit or loss	(26 418)	29 542
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	(97)	(1 124)
Gains or losses from hedge accounting	(17 129)	(47 871)
Exchange differences	23 494	27 927
Gains or losses on derecognition of non-financial assets	(3 001)	24 555
Other operating income	120 182	137 257
Other operating expenses	(330 718)	(215 550)
Operating Income	**360 679**	**553 605**
Administrative expenses	(334 903)	(347 332)
Staff expenses	*(200 611)*	(199 461)
Other administrative expenses	*(134 292)*	(147 871)
Depreciation	(26 888)	(16 207)
Provisions or reversal of provisions	*34 613*	(15 535)
Commitments and guarantees given	*54 200*	(2 800)
Other provisions	(19 587)	(12 735)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(453 936)	(240 859)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	859	(14 994)
Impairment or reversal of impairment on non-financial assets	(222 421)	(184 812)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	1 589	4 923
Profit or loss before tax from continuing operations	**(640 408)**	**(261 211)**
Tax expense or income related to profit or loss from continuing operations	51 231	(98 825)
Current tax	*(6 368)*	(6 066)
Deferred tax	*57 599*	(92 759)
	51 231	(98 825)
Profit or loss after tax from continuing operations	**(589 177)**	**(360 036)**
Discontinued operations profit or loss	1 148	(29 860)
Profit or loss for the period	**(588 029)**	**(389 896)**
Attributable to shareholders of the parent company	**(572 345)**	**(390 943)**
Attributable to minority interest (non-controlling interests)	(15 684)	1 047
	(588 029)	(389 896)

* Data as of 30 September 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017

NOVO BANCO, S.A.

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2019 AND AS AT 31 DECEMBER 2018

thousand€

	30.09.2019	31.12.2018
ASSETS		
Cash, cash balances at central banks and other demand deposits	909 647	977 672
Financial assets held for trading	876 147	843 783
Financial assets mandatorily at fair value through profit or loss	1 562 101	1 566 225
Financial assets designated at fair value through profit or loss	-	480
Financial assets at fair value through other comprehensive income	8 887 058	7 661 207
Financial assets at amortised cost	27 125 031	26 533 068
Debt securities	1 658 122	1 389 400
Loans and advances to credit institutions	461 932	423 058
Loans and advances to customers	25 004 977	24 720 610
Derivatives – Hedge accounting	5 662	1 227
Fair value changes of the hedged items in portfolio hedge of interest rate risk	71 633	33 835
Investments in subsidiaries, joint ventures and associates	93 201	118 698
Tangible assets	952 106	1 240 565
Tangible fixed assets	189 457	142 494
Investment property	762 649	1 098 071
Intangible assets	16 036	5 425
Tax assets	931 776	1 203 214
Current Tax Assets	2 867	6 689
Deferred Tax Assets	928 909	1 196 525
Other assets	3 350 747	3 996 257
Non-current assets and disposal groups classified as held for sale	44 641	4 092 246
TOTAL ASSETS	**44 825 786**	**48 273 902**
LIABILITIES		
Financial liabilities held for trading	679 814	492 953
Financial liabilities designated at fair value through profit or loss	100 739	96 762
Financial liabilities measured at amortised cost	38 595 738	38 336 497
Due to banks	8 762 315	8 355 560
Due to customers	28 468 981	28 695 268
Debt securities issued and Subordinated debt and Liabilities associated with transferred assets	1 049 685	1 051 843
Other financial liabilities	314 757	233 826
Derivatives – Hedge accounting	80 150	36 150
Provisions	278 572	425 935
Tax liabilities	20 226	18 453
Current Tax liabilities	13 179	12 050
Deferred Tax Liabilities	7 047	6 403
Other liabilities	862 460	506 790
Liabilities included in disposal groups classified as held for sale	2 363	4 438 001
TOTAL LIABILITIES	**40 620 062**	**44 351 541**
EQUITY		
Capital	5 900 000	5 900 000
Other comprehensive income - accumulated	(566 709)	(790 884)
Retained earnings	(6 115 245)	(4 682 300)
Other reserves	5 523 331	4 872 841
Profit or loss attributable to parent company shareholders	(572 345)	(1 412 642)
Minority interests (Non-controlling interests)	36 692	35 346
TOTAL EQUITY	**4 205 724**	**3 922 361**
TOTAL LIABILITIES AND EQUITY	**44 825 786**	**48 273 902**

GLOSSARY

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, gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets mandatorily at fair value through profit or loss, gains or losses on financial assets and liabilities designated at fair value through profit and loss, gains or losses from hedge accounting and exchange differences
Other operating results	Gains or losses on derecognition of non-financial assets, other operating income, other operating expenses, share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method
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
Provisions and impairments	Provisions or reversal of provisions, impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates and impairment or reversal of impairment on non-financial assets

Balance Sheet / Liquidity

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 trading portfolios , at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through orther comprehensive income and at amortised cost.
Due to customers Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accouting headings: [#400 - #34120 + #52020 + #53100].
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 placed with clients 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 credit risk 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.
Non-performing loans ratio	Ratio of non-performing loans to the sum of total credit and cash and deposits with banks and Loans and advances to banks
Non-performing loans coverage ratio	Ratio of impairment on customer loans (on balance sheet) to non-performing loans.

GLOSSARY

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.

€ million: million euros

€ billion: billion euros

p.p.: percentage points

Bps: basis points

This announcement is a free translation into English from the original version in Portuguese.

In case of doubt or misinterpretation the Portuguese version will prevail.