

NOVO BANCO^ℓ

1H2015 Results Presentation

September 2015

Audited financial information

Agenda

1. Highlights 1H2015

2. Funding and Liquidity

3. Asset Quality

4. Capital

5. Results

6. Summary

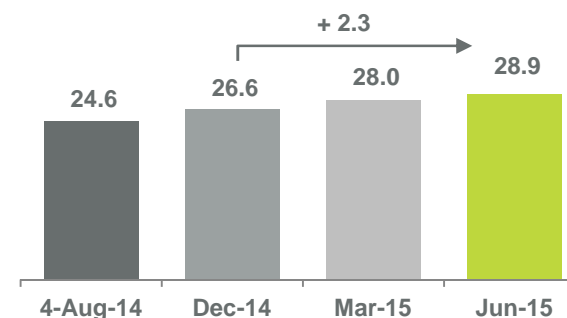
Appendix: Balance Sheet and Income Statement

Highlights 1H2015

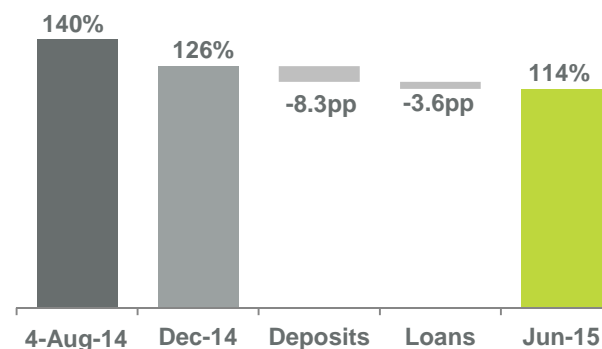
Balance Sheet

- Deposits grew by Eur 2.3bn in 1H15, showing an increasing customer confidence in **NOVO BANCO**.
- Assets declined by Eur 3.6bn since Dec-14, with net loans decreasing by Eur 1.2bn (-3.5%) and the securities portfolio by Eur 0.7bn (-5.8%).
- Significant liquidity improvement: Loan to deposit ratio down to 114% in Jun-15 (126% in Dec-14) while funding from the ESCB was reduced from Eur 8.5bn (Dec-14) to Eur 5.9bn in Jun-15.
- Provisioning levels: the Coverage Ratio for Overdue Loans (> 90 days) reached 113.7% while the Coverage Ratios for Credit at Risk was 67.9% and the Coverage Ratio for Gross Loans was 13.7%.
- The CET 1 ratio was 9.4% in Jun-15 (not reflecting the deconsolidation of BES Investimento).

Deposits (Eur bn)



Loan to Deposit Ratio



Highlights 1H2015

Results

- The Commercial Banking Income reached Eur 407.9mn in 1H15 notwithstanding the Net Interest Income having been negatively affected by the accounting adjustment of annulment of accrued interest related to large transactions (Eur 103.2mn).
- Operating Costs totalled Eur 397.0mn in 1H15, with the figures for 1Q15 and 2Q15 both below 4Q14.
- Net Operating Income in 1H15 amounted to Eur 17.7mn.
- Provisions reached Eur 271.6mn in 1H15, materially lower than in the five months of 2014, leading to an Income before Taxes of - Eur 253.9mn.
- Negative Net Income of Eur 251.9mn in 1H15 (excluding non-recurrent items, the Net Income was negative at Eur 188.9mn).

Income Statement (Eur mn)

	From 4-Aug to 31-Dec-14	1H15
Net Interest Income	265.5	214.7
+ Fees and Commissions	178.2	193.2
= Commercial Banking Income	443.7	407.9
+ Capital Markets and Other Results	339.6	6.7
= Banking Income	783.3	414.6
- Operating Costs	355.4	397.0
= Net Operating Income	427.9	17.7
- Net Provisions	699.1	271.6
Credit	378.1	252.3
Securities	199.7	99.1
Other	121.2	(79.8)
= Income before Taxes	(271.2)	(253.9)
- Corporate Income Tax	215.5	(28.0)
- Special Tax on Banks	13.0	15.7
= Income Before Non-controlling interest	(499.6)	(241.6)
- Non-controlling interests	(2.0)	10.4
= Net Income	(497.6)	(251.9)

Agenda

1. **Highlights 1H2015**

2. **Funding and Liquidity**

3. **Asset Quality**

4. **Capital**

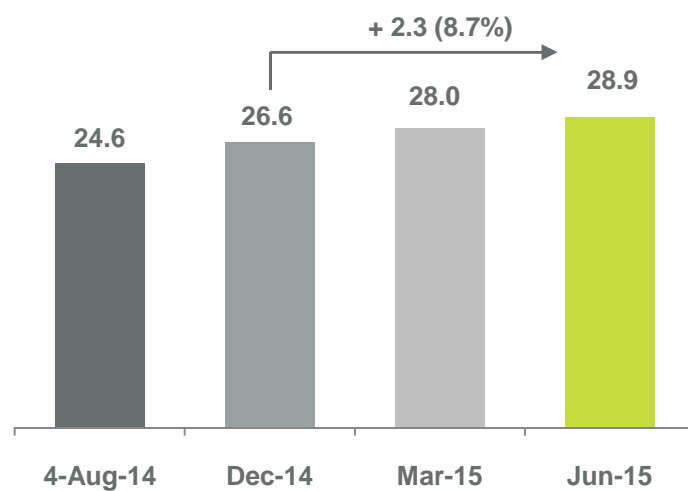
5. **Results**

6. **Summary**

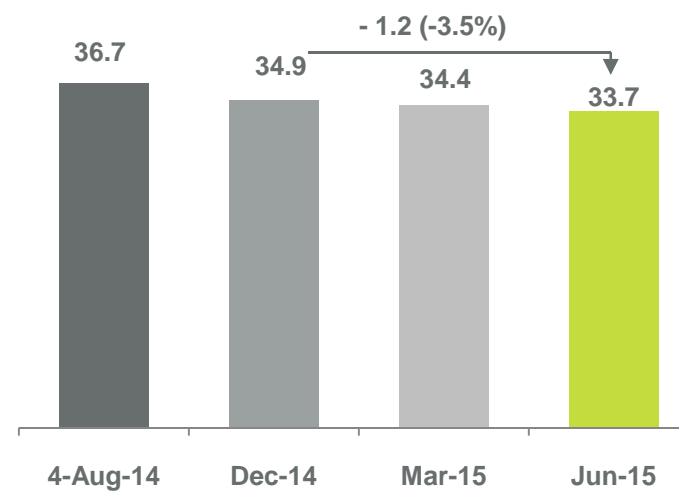
Appendix: Balance Sheet and Income Statement

Deposits increased while Net Loans diminished

Deposits (Eur bn)



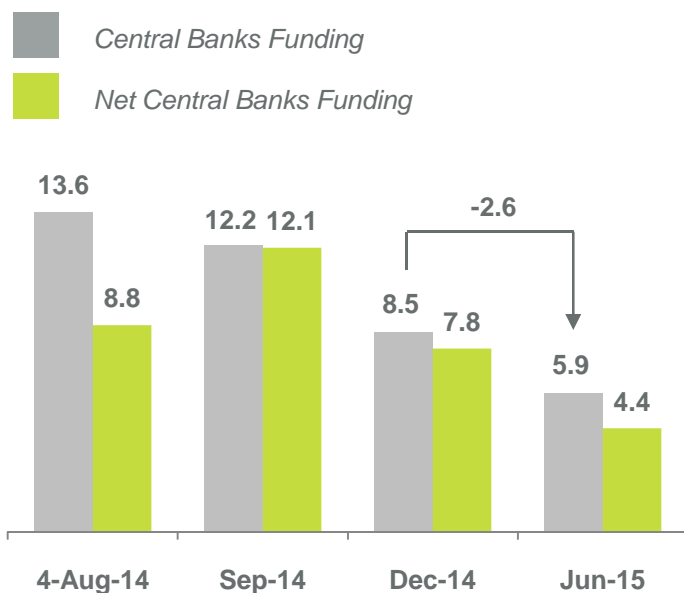
Net Loans (Eur bn)



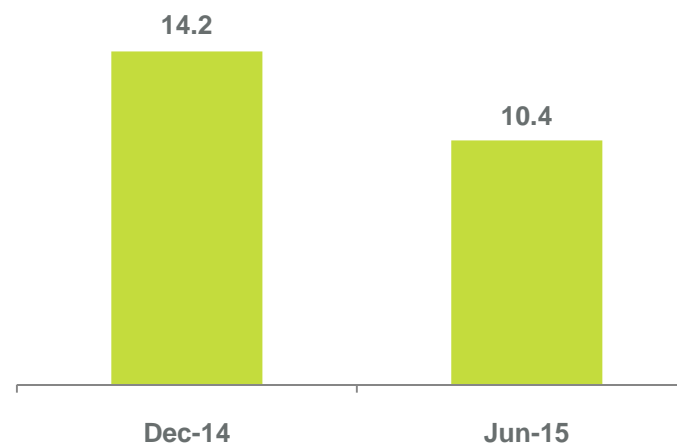
- The continued recovery in Deposits shows the increased confidence in **NOVO BANCO** and a firm gradual return to normality.
- The loan portfolio decreased in part due to the selective deleverage of the book.

Funding from ESCB has decreased significantly

Net Central Banks Funding (Eur bn)



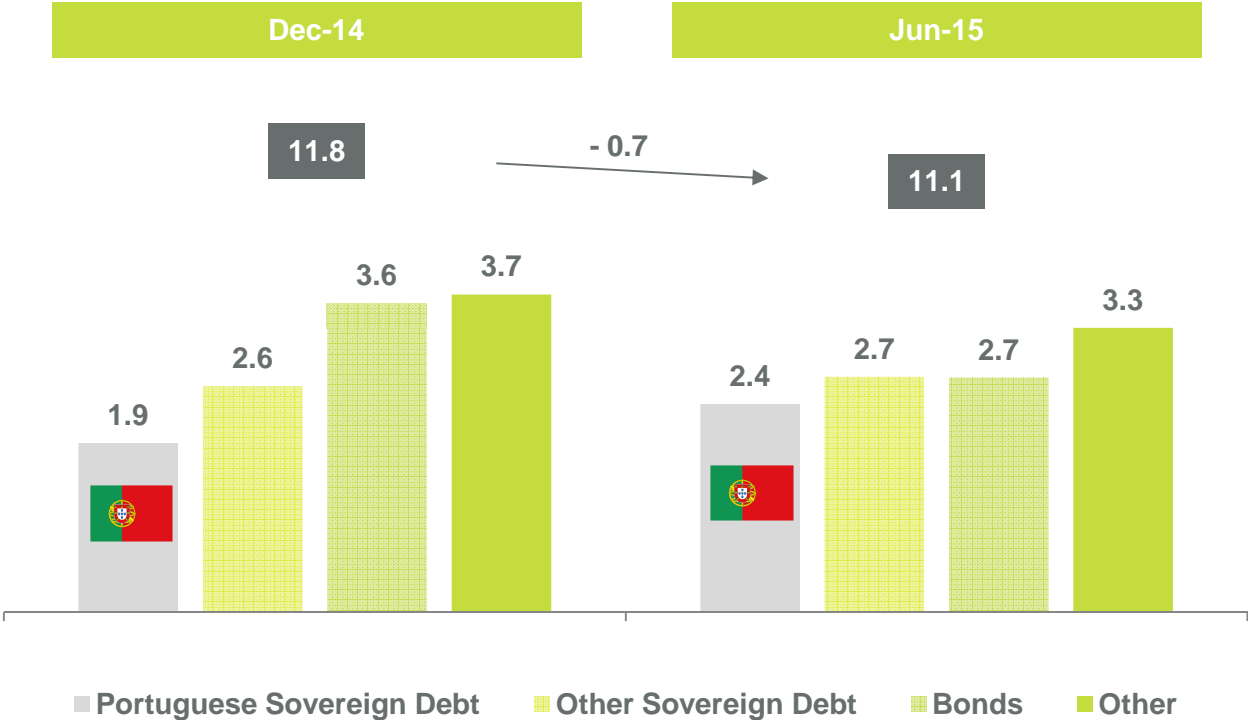
ECB Eligible Assets ¹ (Eur bn)



The funding from ECB has diminished significantly given the steady recovery in deposits registered in 1H15, the sale of financial assets and the deleverage of the loan book.

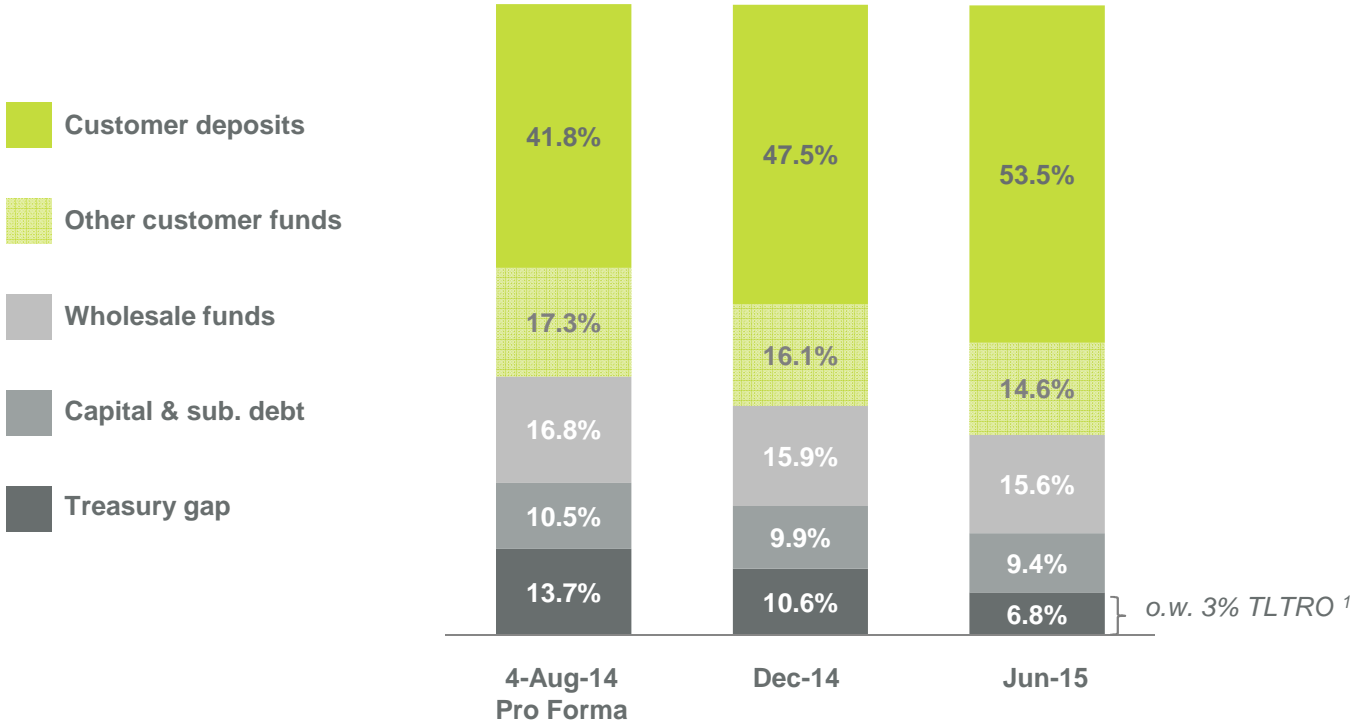
Securities Portfolio decreased due to the sale of Corporate Bonds

Evolution of Securities Portfolio (Eur bn)



Funding mix has improved, Customer Deposits represent now more than 50% of the funding sources

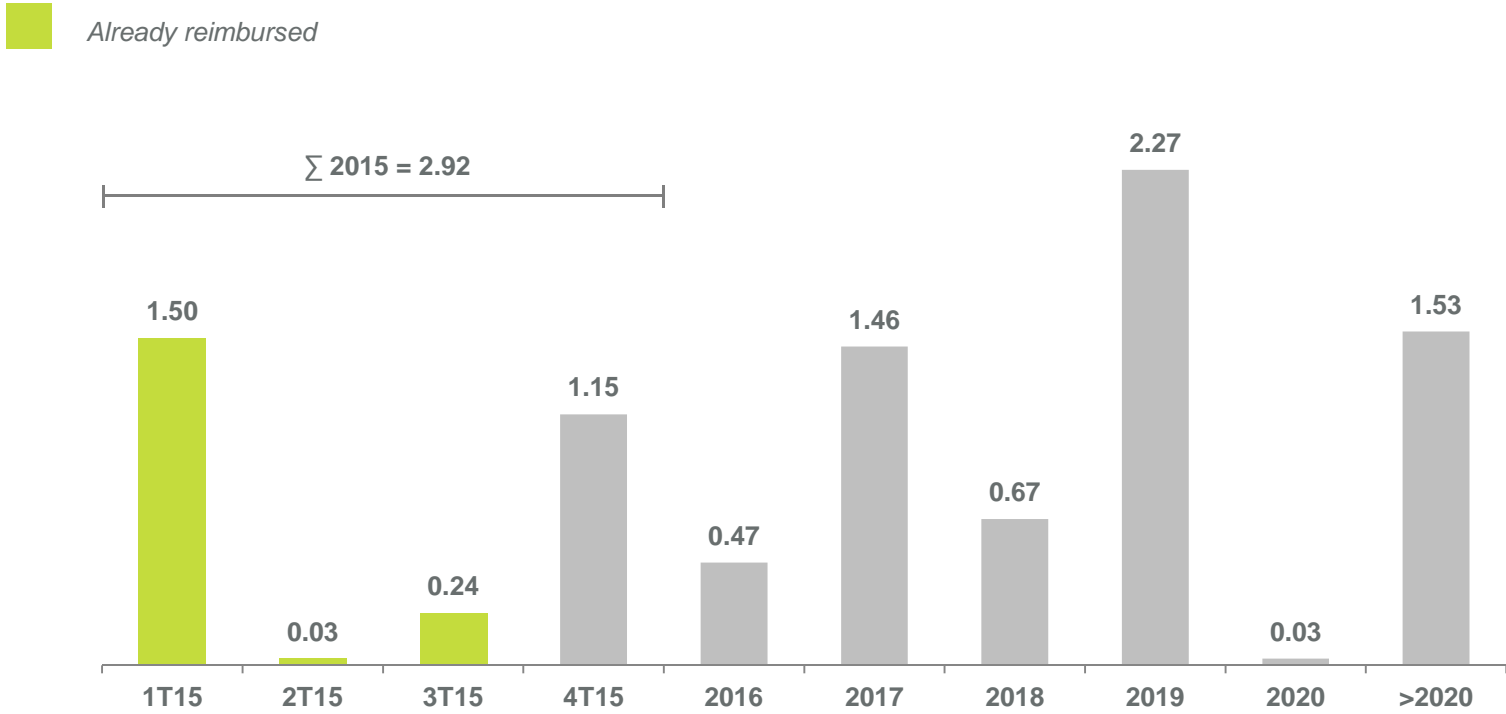
Evolution of the funding structure (Eur bn)



¹ TLTRO – Targeted Long Term Refinancing Operations

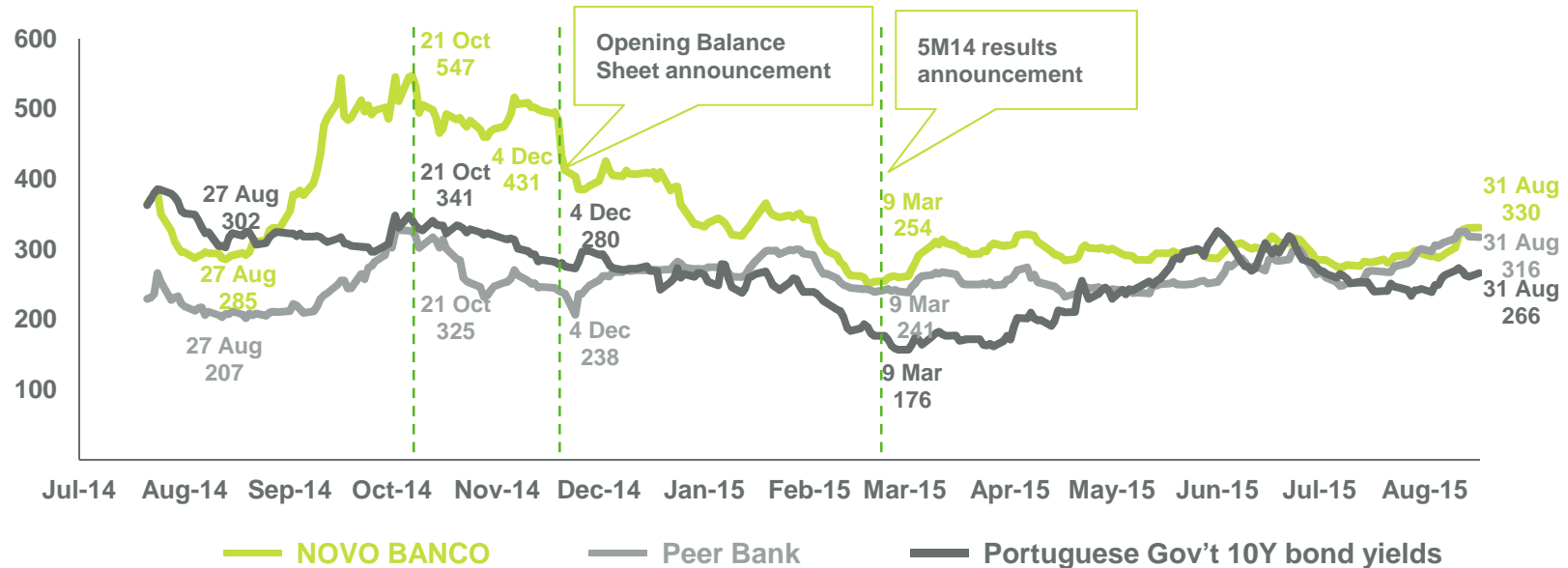
Remaining 2015 wholesale MLT debt reimbursements mainly concentrated in 4Q

MLT Funding (Eur bn)



Credit Default Swap spread of NOVO BANCO have decreased significantly from October 2014 to August 2015

CDS spreads of **NOVO BANCO**, peer bank(*) and Portuguese Government 10Y bond yields since 4-Aug-14 (CDS: Eur Senior 5yr, bps)



- CDS spread of **NOVO BANCO** reached a peak of 547 bps in the second half of October 2014.
- When the opening balance sheet was released in early December 2014, CDS decreased to 431bps.
- As of 31 August 2015, CDS spread of **NOVO BANCO** had decreased to 330bps, only 14bps above the CDS of peer bank.



Source: Bloomberg, data from 4-Aug-14 to 31-Aug-15
* Peer bank is a relevant bank in Portugal

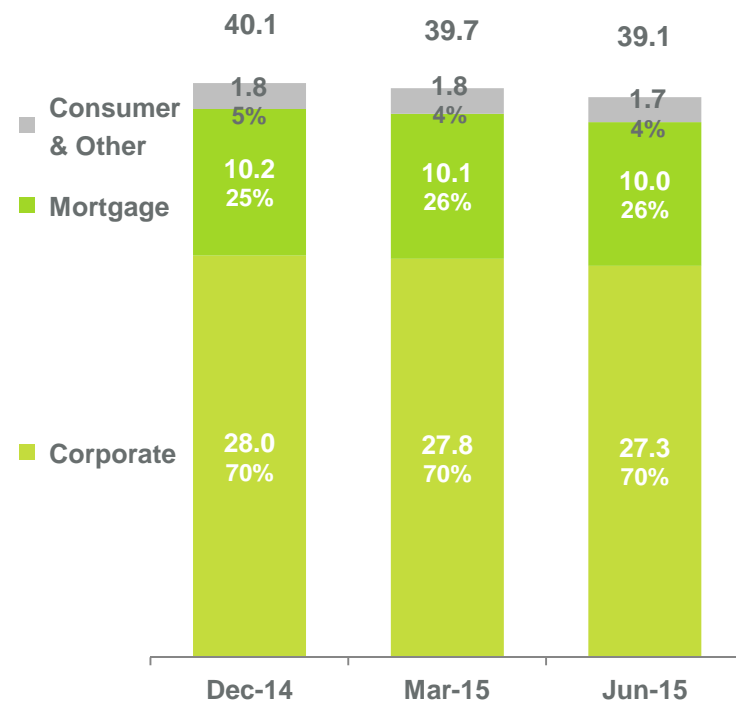
Agenda

1. **Highlights 1H2015**
2. **Funding and Liquidity**
3. **Asset Quality**
4. **Capital**
5. **Results**
6. **Summary**

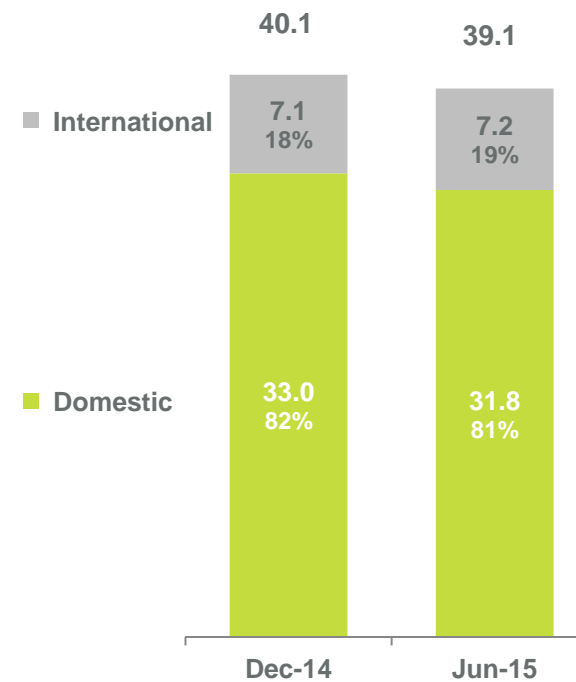
Appendix: Balance Sheet and Income Statement

Corporate and Domestic loans continued to represent the bulk of the Credit Portfolio

Loan breakdown per Segment * (Eur bn)

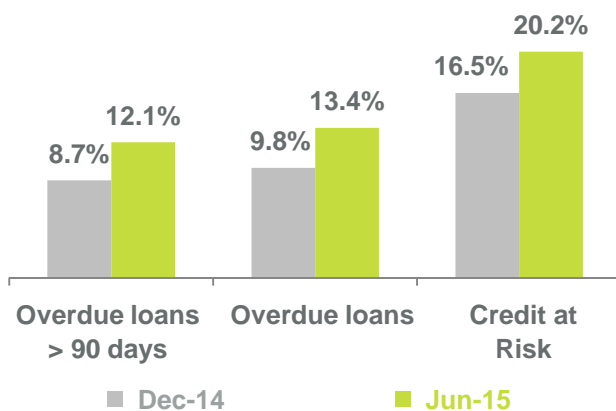


Loan breakdown per Geography * (Eur bn)

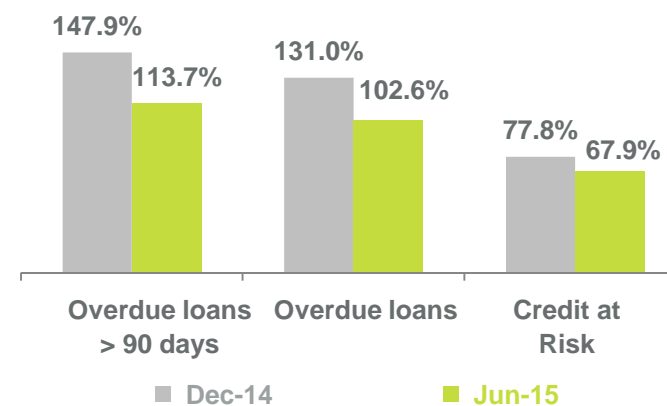


Credit at Risk and other Risk ratios have worsened

Overdue and Credit at Risk Ratios



Coverage Ratios



- **NOVO BANCO**'s Balance Sheet provision in Jun-15 amounts to **Eur 5.4bn**, up from Eur 5.1bn in Dec-14, representing 13.7% of Gross Loans.

Non-current Assets Held for Sale with a coverage ratio of 26%

Real Estate Properties (Eur mn)

	Dec-14	Jun-15	% chg
Book Value (gross)	2,768	3,709	34%
<i>Provisions</i>	824	871	6%
Book Value (net)	1,943	2,839	46%
Coverage	30%	24%	

Other non current assets held for sale (Eur mn)

	Dec-14	Jun-15	% chg
Other non current assets held for sale	1,209	894	-26%
<i>Provisions</i>	405	310	-23%
Book Value (net)	804	584	-27%
Coverage	33%	35%	

- The change in Real Estate Properties 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.
- **NOVO BANCO** presented a coverage ratio for Real Estate Properties of 24% and a coverage ratio for Other Non Current Assets Held for Sale of 35% in Jun-15.

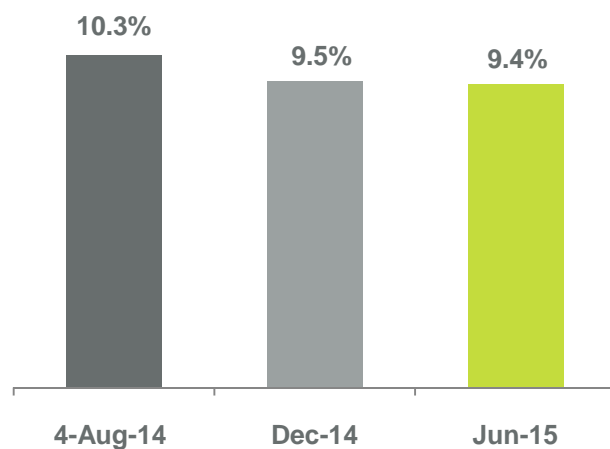
Agenda

1. Highlights 1H2015
2. Funding and Liquidity
3. Asset Quality
4. Capital
5. Results
6. Summary

Appendix: Balance Sheet and Income Statement

CET1 phased-in ratio above 9%

CET1 ratio evolution ¹



RWAs, Eligible Capital and Capital Ratios

BIS III (CRD IV / CRR) ¹

Eur mn	31-Dec-14	30-Jun-15
Risk Weighted Assets (A)	46,982	43,435
Regulatory Capital		
Common Equity Tier I (B)	4,442	4,089
Tier I (C)	4,442	4,089
Tier II	0	0
Total (D)	4,442	4,089
Common Equity Tier I (B/A)	9.5%	9.4%
Tier I (C/A)	9.5%	9.4%
Solvency Ratio (D/A)	9.5%	9.4%

Agenda

1. **Highlights 1H2015**
2. **Funding and Liquidity**
3. **Asset Quality**
4. **Capital**

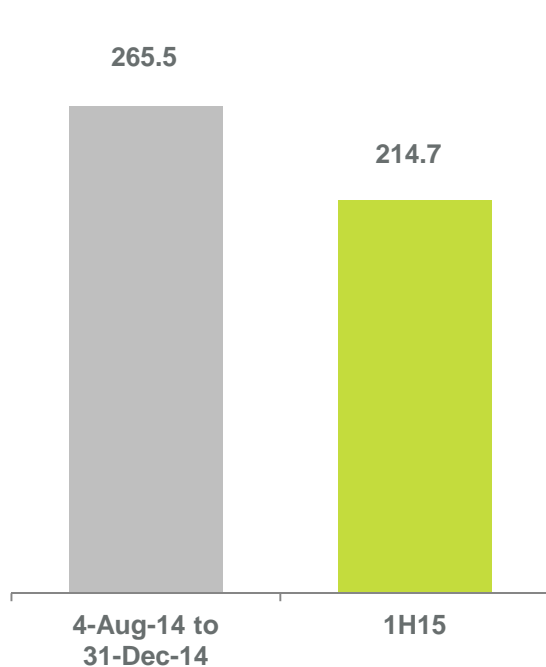
5. **Results**

6. **Summary**

Appendix: Balance Sheet and Income Statement

Net Interest Income hampered by very low interest rates

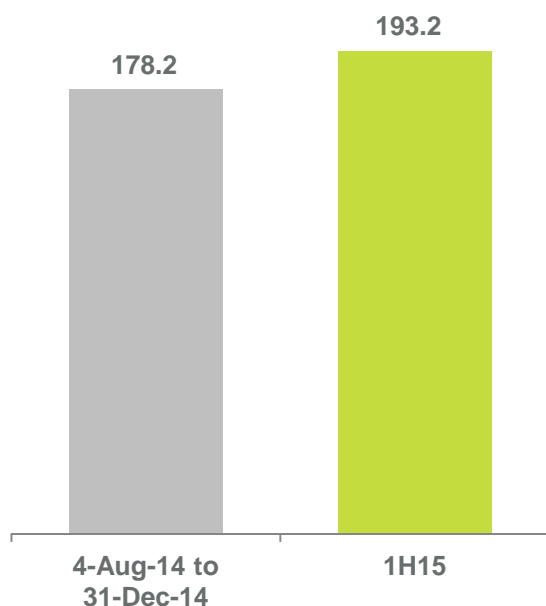
Net Interest Income (Eur mn)



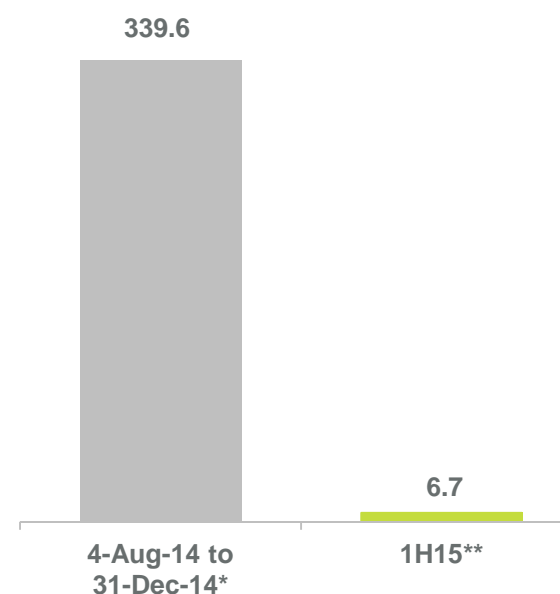
- NII in the period was negatively affected by :
 - accounting adjustments of annulment of previous period interest (Eur 103.2mn);
 - historical lows reached by benchmark interest rates;
 - need to stabilise customer funding, and also reduce funding from the ESCB.
- The average annualised NIM was 0.87%. The average annualised rate on customer loans, which account for 80.3% of Interest Earning Assets, was 2.96% while the average annualised rate of deposits was 1.43%.

Fees and Commissions and Capital Markets Results

Fees and Commissions (Eur mn)



Capital Markets and Other (Eur mn)



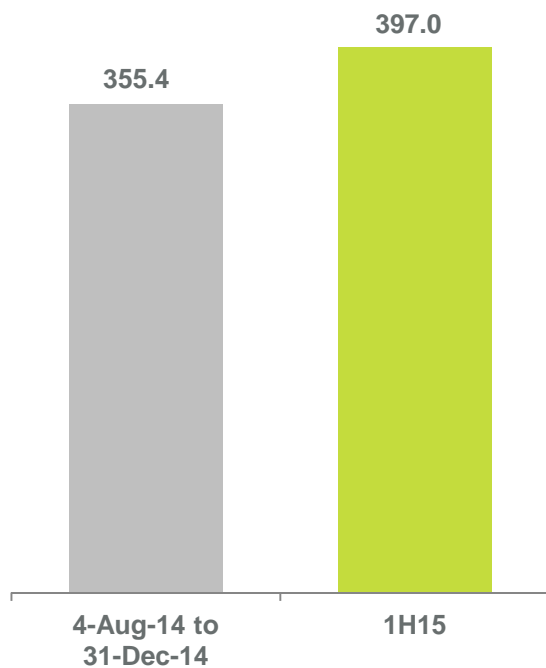
Fees and Commissions related to support services to companies represent 39% of the total, the commissions on payment services 39% and cross-selling represent 22%.

* This figure in this period includes Eur 296.6mn of liability revaluation (positive non-recurrent item, Eur 210.6mn net of tax)

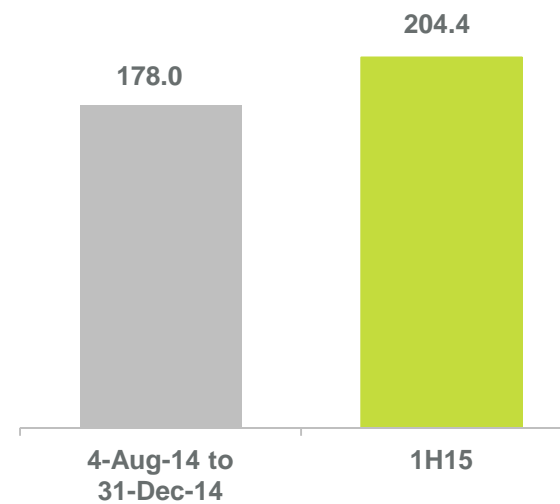
** This figure in this period includes Eur 83.7mn of liability revaluation (negative non-recurrent item, Eur 59.4mn net of tax)

Operating Costs under control

Operating Costs (Eur mn)



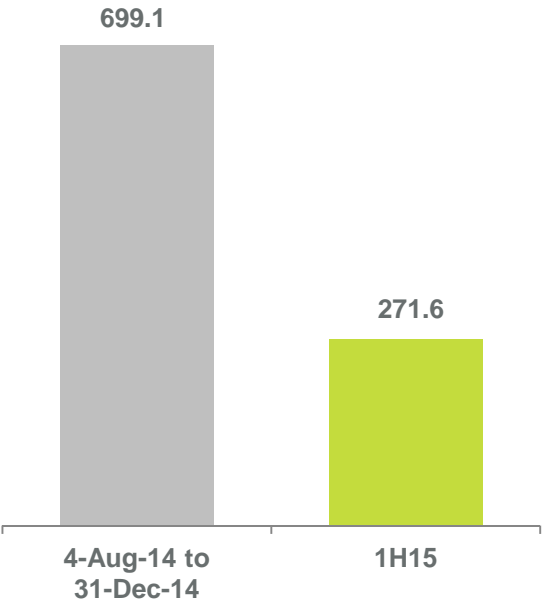
Staff Costs (Eur mn)



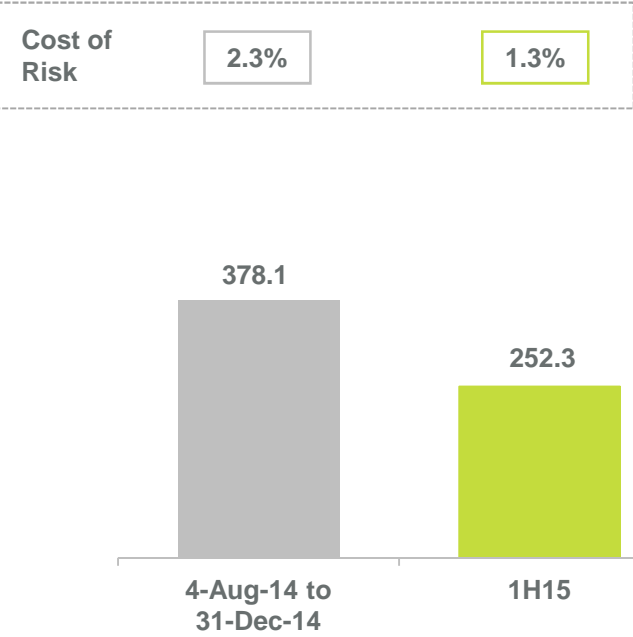
- Reducing operating costs remains a key objective, viewing the improvement of **NOVO BANCO** Group's efficiency levels.
- Operating costs in 1Q15 and 2Q15 were lower than in the 4Q14.

Provision charges decreased significantly

Total Provisions (Eur mn)



Credit Provisions (Eur mn)



- **NOVO BANCO** decreased significantly its provision charges, namely for Credit.
- Provision charges of Eur 175mn in 1Q15 and Eur 96.5mn in 2Q15.

Agenda

1. **Highlights 1H2015**
2. **Funding and Liquidity**
3. **Asset Quality**
4. **Capital**
5. **Results**

6. **Summary**

Appendix: Balance Sheet and Income Statement

NOVO BANCO is a leading full service 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 61.9bn** (3rd largest financial institution in Portugal) and **14.6% market share across all business segments** and more than 2 million customers.
- **Reference Bank in Corporate and SME segment.** Loans to Corporate account for 70% of total loan book.
- **Strong domestic franchise** in Retail and Private Banking, backed by a focused commercial approach and by a leading multi-channel distribution network.
- **International platform** supporting Portuguese companies.

Balance Sheet

- **Deposits of Eur 28.9bn in Jun-15 posted a healthy recovery** (+Eur 2.3bn in 1H15 and +Eur 6.5bn comparing with Sep-14).
- **Loan to Deposit Ratio at 114% in Jun-15** down from 126% in Dec-14.
- **CET1 Ratio of 9.4% as of 30-Jun-15** (not considering the deconsolidation impact of BESI).

Agenda

1. **Highlights 1H2015**
2. **Funding and Liquidity**
3. **Asset Quality**
4. **Capital**
5. **Results**
6. **Summary**

Appendix: Balance Sheet and Income Statement

Consolidated Balance Sheet

(Eur mn)	31 Dec. 14	30 Jun-15	(Eur mn)	31 Dec. 14	Jun-15
Cash & deposits at central banks	2,747	1,714	Deposits from central banks	8,612	5,928
Deposits with banks	491	399	Financial liabilities held for trading	1,046	804
Financial assets held for trading	1,063	764	Deposits from banks	2,624	3,286
Financial assets at fair value through profit & loss	2,230	1,715	Due to customers	27,938	29,847
Available for sale financial assets	9,478	9,317	Debt securities	9,033	7,349
Loans and advances to banks	1,044	1,171	Hedging derivatives	104	83
Loans and advances to customers	34,929	33,702	Investment Contracts	4,379	4,110
Hedging derivatives	405	342	Non current liabilities held for sale	331	179
Non current assets held for sale	2,747	3,423	Liabilities from discontinued operations	3,073	2,574
Assets from discontinued operations	4,210	3,587	Provisions	410	187
Investment properties	297	55	Technical reserves	1,461	1,404
Property and Equipment	397	400	Current tax liabilities	34	40
Intangible assets	254	245	Deferred tax liabilities	50	47
Investments in associate companies	402	403	Other Subordinated debt	55	55
Current tax assets	30	12	Other liabilities	858	951
Deferred tax assets	2,506	2,588	Total Liabilities	60,008	56,844
Technical reserves of reinsurance ceded	8	8	Share capital	4,900	4,900
Other assets	2,179	2,010	Fair value reserve, retained earnings and other comprehensive income	878	254
Total Assets	65,417	61,854	Net income for the period	(498)	(252)
			Non-controlling interest	130	108
			Total Equity	5,410	5,010
			Total Liabilities & Equity	65,417	61,854

Consolidated Income Statement

(Eur mn)	<i>from 4-Aug-14 to 31-Dec-14</i>	<i>1H 2015</i>
Net Interest Income	265.5	214.7
Dividend income	4.8	6.5
Fee and Commission income	225.3	251.1
Fee and Commission expense	(56.4)	(67.1)
Net gains/ (losses) from financial assets at fair value through profit or loss	(21.2)	(107.5)
Net gains/ (losses) from available-for-sale financial assets	34.2	167.3
Net gains/ (losses) from foreign exchange revaluation	75.1	25.7
Net gains/ (losses) from sale of other assets	5.6	13.4
Insurance earned premiums, net of reinsurance	17.8	18.7
Claims incurred, net of reinsurance	(273.7)	(145.5)
Change on the technical provision, net of reinsurance	239.3	113.9
Other operating income and expense	248.8	(98.2)
Operating Income	765.0	393.0
Staff costs	(178.1)	(204.4)
General and administrative expenses	(139.5)	(149.0)
Depreciation and amortisation	(37.9)	(43.5)
Provisions and impairments	(699.1)	(271.6)
Associate Income and joint ventures (equity method)	5.2	6.0
Net Income before income tax and non-controlling interests	(284.2)	(269.6)
Income tax		
Current tax	(28.9)	(35.1)
Deferred tax	(186.6)	63.2
Net Income after taxes and before non-controlling interests	(499.6)	(241.6)
<i>o.w. : Income after taxes from discontinued operations</i>	<i>0.1</i>	<i>(18.2)</i>
<i>Income after taxes from operations being discontinued</i>	<i>(46.6)</i>	<i>13.5</i>
Non-controlling Interests	2.0	(10.4)
Net Consolidated Income / (Loss) for the period	(497.6)	(251.9)

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.

NOVO BANCO does not undertake any obligation to release publicly any revision to the forward-looking information included in this document to reflect events, circumstances or unanticipated events occurring after the date hereof and accepts no liability for any of such statements.



Investor Relations Contacts

website: www.novobanco.pt

phone: + 351 21 359 7390

email: investor.relations@novobanco.pt